

CITY OF CATHEDRAL CITY CALIFORNIA



Comprehensive Annual Financial Report

YEAR ENDED JUNE 30, 2007



CITY OF CATHEDRAL CITY
CALIFORNIA

Comprehensive Annual
Financial Report

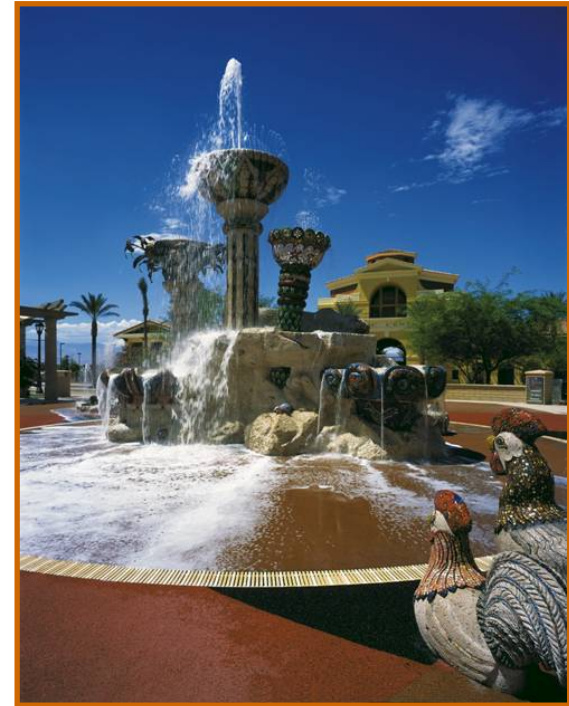
YEAR ENDED JUNE 30, 2007

PREPARED BY DEPARTMENT OF FINANCE

TAMI SCOTT
Administrative Services Director



Introductory Section



Comprehensive Annual Financial Report

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City of Cathedral City, California Finance Department

December 14, 2007

To the Honorable Mayor, Members of the City Council and Citizens of the City of Cathedral City:

It is the policy of the City of Cathedral City (the "City") to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City for the fiscal year ended June 30, 2007.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Moreland & Associates, Inc., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit

involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2007, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City, incorporated in 1981, is located in the western part of the Coachella Valley, which is considered to be one of the top growth areas in the state. The City currently occupies a land area of approximately 20 square miles at an elevation of 400 feet above sea level. According to the U.S. Census Bureau, the 2007 population of Cathedral City is estimated to be 53,281, with an average household size of 3.1 persons. Cathedral City is the second largest city in the Coachella Valley and receives an estimated seasonal influx of 20,000 people. Based on estimates generated by ESRI, the median age for the population is estimated to be 32.0 years of age.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council. The City operates under the council-manager form of government. Policy-making and legislative authority are vested in a City Council consisting of the mayor and four other council members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The Council is elected on a non-partisan

basis. Council members serve four-year staggered terms, with two council members elected every two years. The mayor is elected to serve a two-year term.

The two-year budget serves as the foundation for the City's financial planning and control. The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the two-year budget approved by the City Council. The City Manager and Administrative Services Director prepare and submit the two-year budget to City Council for approval prior to the end of the two-year period and then administer it after adoption. The two-year period starts on July 1 of each even-numbered year. Annual appropriation limits are approved by City Council prior to the beginning of each year of the two-year budget period. All appropriations lapse at year-end.

The City Manager and Administrative Services Director are authorized to adjust appropriations between each department or activity, provided that the total appropriations for each department or activity do not exceed the amounts approved in the budget for any amending resolutions. Management can make transfers between departments as long as expenditures do not exceed appropriations at the fund level. Transfers of cash or unappropriated fund balance from one fund to another can only be made with City Council's approval. Unexpended appropriations for authorized, but uncompleted projects in the capital improvements budget can be carried forward to the next succeeding budget upon approval of the City Manager or the Administrative Services Director. For each fund, total expenditures, may not legally exceed total appropriations. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

The City provides a full range of services, including police and fire protection, public works, construction and maintenance of roads and highways, planning and zoning, and general administrative support.

LOCAL ECONOMY

In recent years, Cathedral City has undergone major changes that have also affected other cities in the region. Population has grown, once-rural roads have become busy commercial corridors, and business activity has shifted from older centers to shopping plazas and malls in scattered locations. Through a public workshop process, the community resolved to revitalize the City's social and physical center. Cathedral City has committed itself to creating a unique, high-quality downtown that is the heart of the City's community pride and identity, bringing with it expanded opportunities for employment, housing, business and entertainment.

Major attractions in Cathedral City include the 28-acre Big League Dreams Sports Park, the technically astounding Desert IMAX theatre, the Cimarron Golf Resort, antique and consignment shops along Perez Road, and the Mary Pickford theatre. The ultra-modern Cathedral City Public Library provides a host of exhibits, historical collections, art, computer services and books from around the world. Cathedral City is home to seven parks which offer a variety of fun-filled activities for the whole family.

For 2007, the median household income is estimated to be \$45,806 and the median home value is estimated to be \$271,851. The most significant percentage of households, 21.2%, earned between \$50,000 and \$74,999 annually. The future growth rate is expected to increase at an annual rate of 4.17% with the community consisting of about the same gender, age and household composition.

Of the total 2007 Cathedral City employment of 20,992, 57.0% are employed in the services industry. The two most significant employment industries are retail trade with 13.1% and construction with 12.0%. Despite fluctuations in the economy, Cathedral City has consistently experienced year-over-year growth. According to CityRating.com, which rates the best places to live in the United States, Cathedral City boasts the lowest crime rate in the Coachella Valley with a crime index of 4,290 per 100,000 people. This index represents the number of serious crimes per 100,000 people, as defined by the FBI.

LONG-TERM FINANCIAL PLANNING

The City Council established a target that the General Fund unreserved fund balance should be at least 30% of the General Fund operating budget. The General Fund unreserved fund balance exceeded this 30% target as of June 30, 2007.

The City is currently working on certain projects to generate General Fund revenues to provide basic services to residents, expand employment opportunities for local residents, assist small and start-up businesses, and broaden the spectrum of services and retail offerings for City dwellers. Some of these projects include: sales tax generation through the expansion of automobile sales activity; transient occupancy tax generation through tourism industry development; and, general commercial development, as well as the adaptive reuse of existing commercial structures that are underutilized or vacant. The City's Finance Advisory Committee was established in the summer of 2007 to review and determine the potential for alternative revenue sources that may lead to a tax-based ballot measure. The City has zoned an area north of Interstate 10 for commercial, business park and residential estate uses, while providing more public services, such as police and fire services to the area. The City's Redevelopment Agency had completed a \$115 million dollar tax allocation bond to fund improvements throughout the City as further mentioned in the MD&A. The City anticipates issuing an \$80 million bond for the hotel associated with the Desert Cove Resort project.

The City's "Downtown Core Revitalization Plan" is intended to create a downtown Cathedral City that will ultimately consist of a centrally-located Downtown Core flanked by mixed-use commercial districts to the south, east and west. The Downtown Core will consist of a tight cluster of commercial, entertainment and mixed-use buildings. In addition to the proposed 300-room conference center hotel, known as the "Brand Name" Desert Cove Hotel Resort and Spa, which is scheduled for commencement of construction in Spring 2008, other planned developments in the Downtown Core include the adjacent 18-hole Fred Couples signature golf course, multi-story office building, and a 23 acre live/work commercial and retail development. The expected completion of this project is in 2012.

The "Cathedral City Parks and Recreation Master Plan" calls for the following to occur between 2007 and 2015:

- Develop 145 acres of land set aside for park use,
- Acquire another 200 acres,
- Develop the 200 acres between 2010 and 2015 and acquire an additional 150 acres,
- By 2008, build two swimming pools, which would include aquatic features, possibly a zero-depth area, water fountains, slides and boards, floating areas, spray stations and play structures,
- Add ten new soccer fields by 2015,

- Add ten new baseball/softball fields by 2015,
- Provide two 50,000 square foot community recreation centers, one by 2010 and the second by 2015, and
- Add additional courts to the existing six tennis courts.

Several options have been presented regarding the funding of the plan, including grants from the National Park Service and the State Department of Parks and Recreation.

RELEVANT FINANCIAL POLICIES

Cash management policies and practices. The City Treasurer is responsible for the cash management and investment program of the City, which employs a pooled cash system. The City's investments are managed in compliance with the investment policy adopted by the City Council and reaffirmed annually. Cash temporarily idle during the year was mainly invested in securities of government agencies and the State Treasurer's investment pool.

Interest revenue is allocated to participating funds based on the quarterly ending cash balance of each fund. Interest revenue also includes changes in fair value of investments. Changes in fair value recognized in the current year do not necessarily represent trends that will continue, nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Risk management. The City is self-insured against most worker's compensation, general liability and property claims. As part of this comprehensive plan, resources are being accumulated in an internal service fund, Insurance Fund, to meet current and potential losses. Estimated liabilities are budgeted annually in this fund to meet potential losses. In addition, various control techniques, including employee accident prevention training and supervisor training, have been implemented during the year to minimize accident-related losses. Third-party coverage is currently maintained for individual workers' compensation claims in excess of \$250,000 and for general liability claims in excess of \$250,000 with a limit of \$5 million per occurrence. Additional information on the City's risk management activity can be found in the notes to the financial statements.

Pension benefits. The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee

defined benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by this funding policy. The unfunded actuarial liability associated with employee services rendered to date is being systematically funded over a period not to exceed 30 years.

MAJOR INITIATIVES

The "Brand Name" Desert Cove Resort and Spa is a proposed 300-room resort hotel that will be operated under an internationally-renowned hotel management firm. The hotel will be a first-class, full service lodging facility with approximately 221,000 square feet of building space that will include an approximately 6,000 square foot spa, a 120-seat full-service restaurant, other food and beverage outlets, a grand ballroom, board room, business center and other amenities. The hotel should be very attractive to the group meetings market, providing approximately 18,800 square feet of meeting space. It is estimated that group business will account for nearly 65% of the hotel's occupancy at stabilization. Transient business (predominately leisure with some corporate travel) is projected to make up the remaining 35% of the stabilized occupancy.

The hotel will also include a 2,500 square foot golf pro shop and a 7,500 square feet underground cart barn. An 18-hole regulation length Fred Couples signature golf course is being developed adjacent to the project. The golf course will be developed on 220 acres and is planned to be a 6,623 yard, par 71 course. The City anticipates groundbreaking for the golf course associated with the Desert Cove Resort project in the first quarter of 2008.

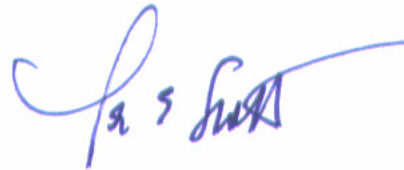
The Cathedral City Redevelopment Agency (the "Agency") has spent the last five years preparing for this project. The 12-acre site of the proposed conference center hotel was once blighted with limited infrastructure. The Agency has contributed considerable financial, political and human resources to make this project successful. The relocation, demolition, and acquisition costs alone have been in excess of \$14 million. The utilities and infrastructure to the site have cost more than \$6 million. As for the golf course portion, 50% of the underlying land is owned by the City and will be leased to the developer for \$1, plus \$3 per round. To assure the golf course will be ready by the opening of the hotel, the Agency has agreed to lend

the golf course developer 50% of the construction costs (approximately \$10 million) in exchange for a first lien position on the land and the golf course itself. In addition, the Agency and the City have also pledged site-specific available property taxes and transient occupancy taxes to the project, as well as a limited pledge of the Agency tax increment.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Tami E. Scott
Administrative Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cathedral City
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

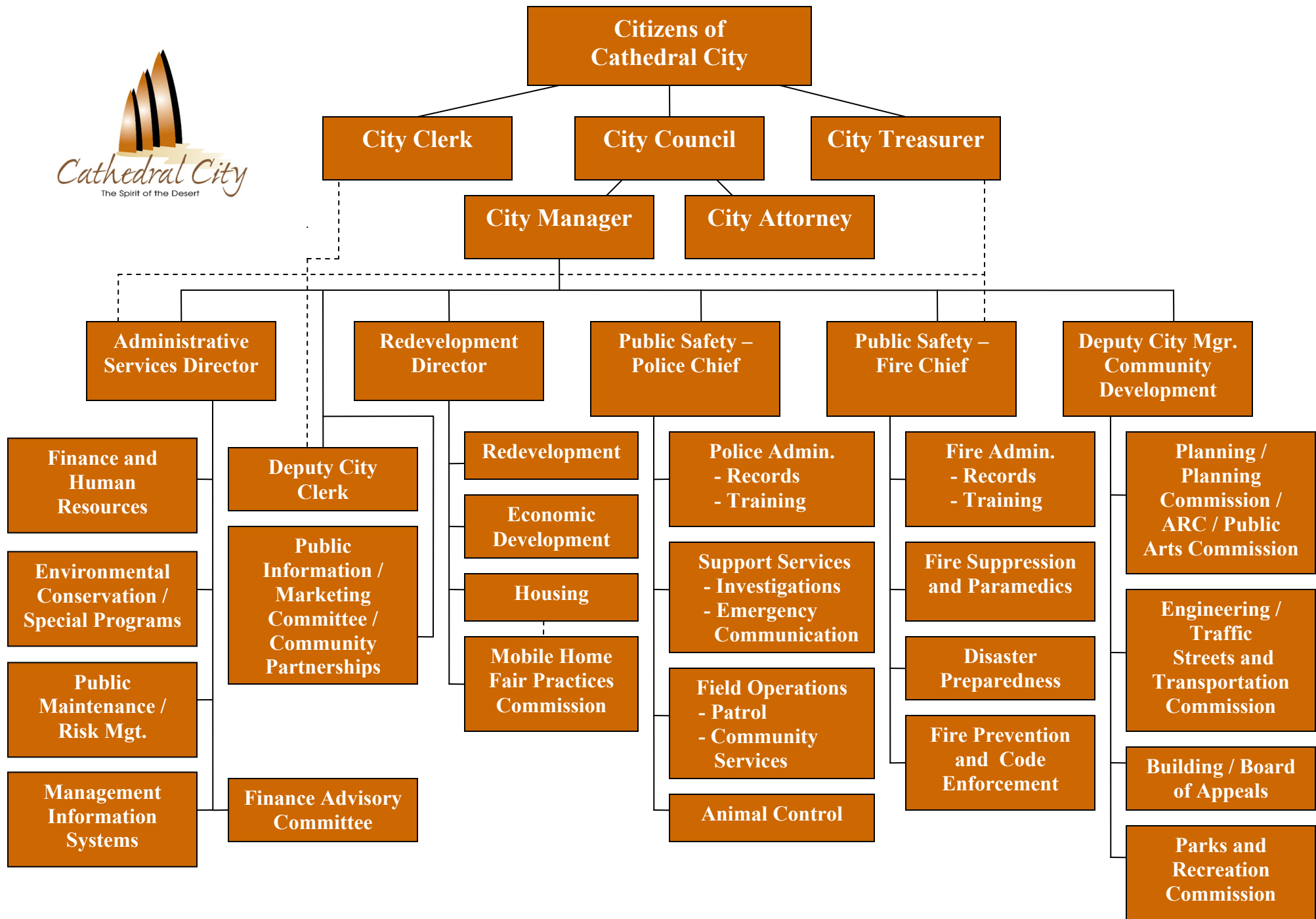


President

Executive Director

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cathedral City, California for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the second consecutive year that the government achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



List of Principal Officials

Mayor
Mayor Pro Tem
Council Member
Council Member
Council Member

Kathleen DeRosa
Charles (Bud) England
Gregory Pettis
Paul Marchand
Charles Vasquez

City Clerk

Pat Hammers

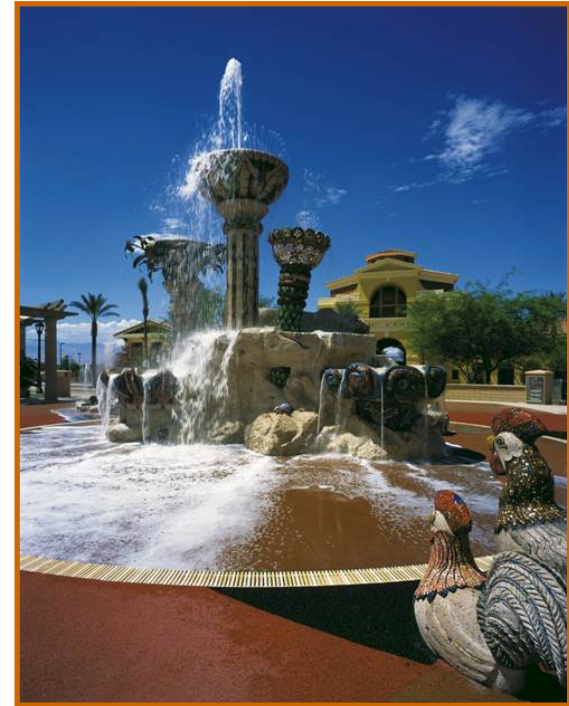
City Treasurer

Henry Chan

City Manager
Deputy City Manager
City Attorney
Chief of Police
Fire Chief
Administrative Services Director
Redevelopment Agency Director
City Engineer
City Planner

Donald Bradley
Julie Baumer
Charles Green
Stan Henry
Bill Soqui
Tami Scott
Jan Davison
Bill Bayne
Leisa Lukes

Financial Section





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NEWPORT BEACH, CALIFORNIA 92660
570 RANCHEROS DRIVE, SUITE 260
SAN MARCOS, CA 92069
TELEPHONE (949) 221-0025

December 12, 2007

The Honorable City Council of
the City of Cathedral City, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit each major fund, and the aggregate remaining fund information of the City of Cathedral City, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cathedral City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cathedral City, California, as of

June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

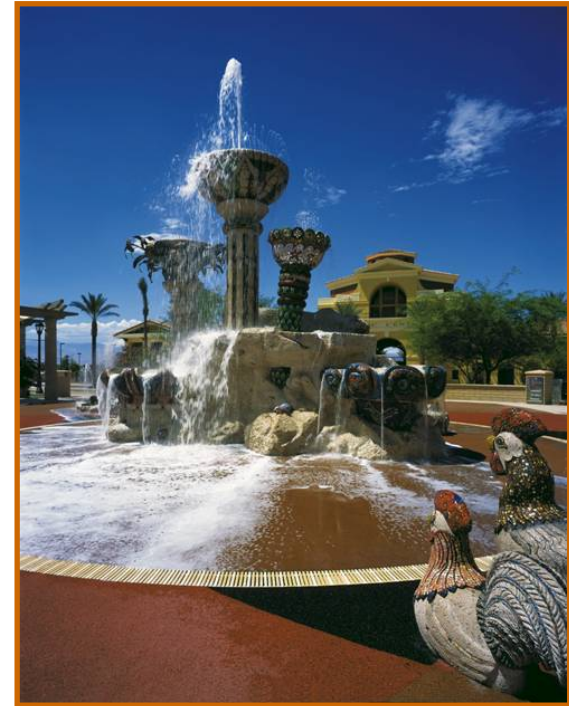
In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2007 on our consideration of the City of Cathedral City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Moreland & Associates, Inc.

Management's Discussion & Analysis



Management's Discussion and Analysis

(Unaudited)

The following discussion and analysis of the financial performance of the City of Cathedral City ("City") provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Financial Highlights

- The assets of the City exceeded its liabilities at the end of the year by \$168.3 million (*net assets*).
- The City's total net assets increased by \$22.6 million.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$251.8 million, which is an increase of \$103.0 million in comparison to the prior year.
- The City's total debt increased by \$110.9 million as a result of issuing the 2007 Tax Allocation Bonds, Series A through C (\$115.0 million).

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.

- The *governmental funds* statements tell how *general government* uses/services like public safety were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates similar to private businesses.
- *Fiduciary fund* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provides additional financial and budgetary information.

Figure A-1 on the following page summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Figure A-1
Major Features of the City's Government-wide and Fund Financial Statements

	Government-wide <u>Financial Statements</u>	<u>Fund Financial Statements</u>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; fiduciary funds can include capital assets although the City's fiduciary funds currently do not.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- **Business-type activities** – For these activities, the City would charge a fee to customers to help it cover all or most of the cost of the services accounted for in these funds. The City has no business-type activities.
- **Component units** – The City includes one discretely presented component unit in its report – the Cathedral City Downtown Foundation. Although legally separate, the City appoints the governing board and approves the Foundation's budget.

Reporting the City's Major Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other monies received. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting methods.

- **Governmental funds** – The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-*

term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.

- **Proprietary funds** – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. Enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. The City does not report any enterprise funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.

Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CITY OF CATHEDRAL CITY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

A summary of the government-wide *statement of net assets* follows:

Table 1
CITY OF CATHEDRAL CITY
Net Assets
(in thousands)

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Current and other assets	\$281,585	176,262	105,323
Capital assets	<u>153,372</u>	<u>125,184</u>	<u>28,188</u>
Total assets	<u>434,957</u>	<u>301,446</u>	<u>133,511</u>
Long-term liabilities outstanding	256,678	145,817	110,861
Other liabilities	<u>10,009</u>	<u>9,999</u>	<u>10</u>
Total liabilities	<u>266,687</u>	<u>155,816</u>	<u>110,871</u>
Net assets:			
Invested in capital assets, net of related debt	129,980	122,220	7,760
Restricted	165,751	125,459	40,292
Unrestricted (deficit)	<u>(127,461)</u>	<u>(102,049)</u>	<u>(25,412)</u>
Total net assets	<u>\$168,270</u>	<u>145,630</u>	<u>22,640</u>

A summary of the government-wide *statement of activities* follows:

Table 2
CITY OF CATHEDRAL CITY
Changes in Net Assets
(in thousands)

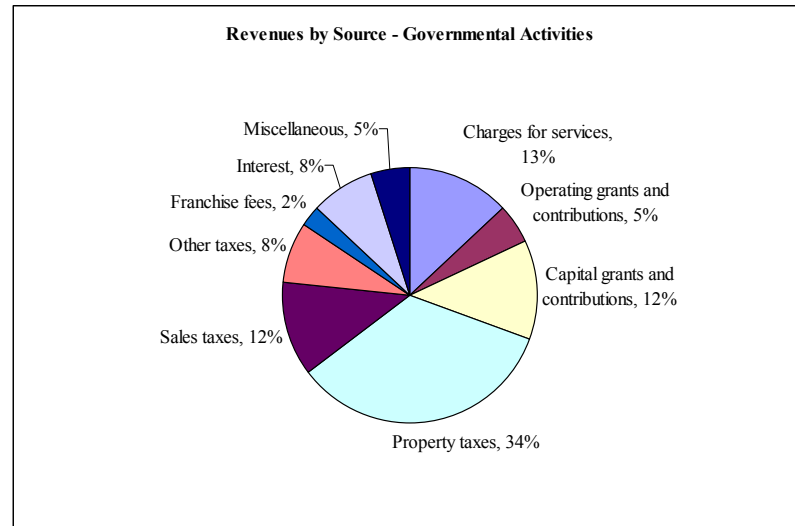
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenues:			
Governmental activities:			
Charges for services	\$ 10,717	5,884	4,833
Operating grants and contributions	4,091	6,955	(2,864)
Capital grants and contributions	10,237	33,244	(23,007)

	<u>2007</u>	<u>2006</u>	<u>Change</u>
General revenues:			
Property taxes	28,145	28,714	(569)
Sales taxes	10,008	10,177	(169)
Other taxes	6,240	3,327	2,913
Franchise fees	2,031	4,383	(2,352)
Interest	6,803	3,846	2,957
Miscellaneous	<u>4,131</u>	<u>2,276</u>	<u>1,855</u>
Total revenues	<u>82,403</u>	<u>98,806</u>	<u>(16,403)</u>
Program expenses:			
General government	17,617	18,833	(1,216)
Public works	4,960	5,351	(391)
Public safety	19,703	17,006	2,697
Community development	9,413	9,108	305
Interest on long-term debt	<u>8,070</u>	<u>5,113</u>	<u>2,957</u>
Total program expenses	<u>59,763</u>	<u>55,411</u>	<u>4,352</u>
Change in net assets	22,640	43,395	(20,755)
Net assets, beginning	<u>145,630</u>	<u>102,235</u>	<u>43,395</u>
Net assets, ending	<u>\$ 168,270</u>	<u>145,630</u>	<u>22,640</u>

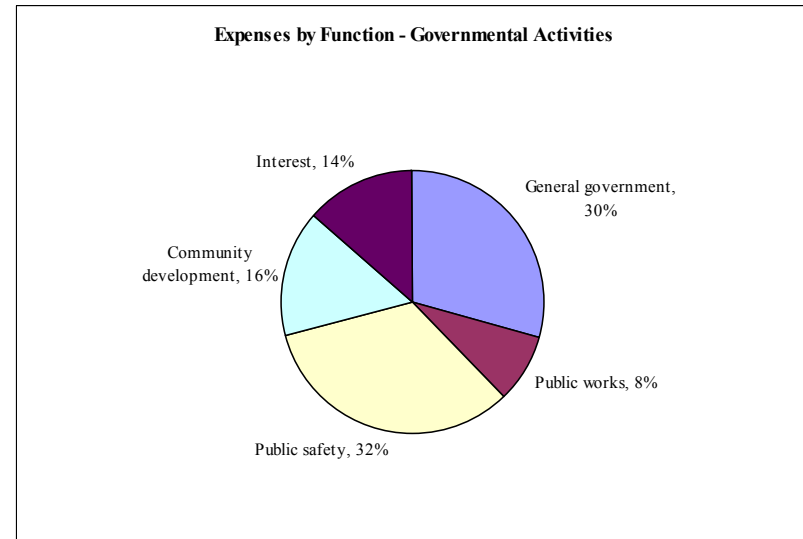
The increase or decrease in net assets can provide an indication as to whether the overall financial position of the City improved or deteriorated during the year. Net assets of the City's governmental activities increased by \$22.6 million (\$168.3 million compared to \$145.6 million) or by 15.5 %.

In the current year, and in the prior year, there was a deficit balance reported in unrestricted net assets for the governmental activities. The deficit in the unrestricted net asset balance results from the recognition of long-term debt and other expenditures that have been utilized/incurred to fund redevelopment projects. The long-term debt will be repaid from tax increment revenue that will be generated as a result of redevelopment project activity in the future. This future tax increment revenue is not reflected in our financial statements, thereby resulting in the deficit unrestricted net asset balance for governmental activities.

Total revenues decreased by \$16.5 million from the prior year, or by 16.6%. This decrease was mainly due to the reduction of activity related to the Cove Assessment District capital improvements in the prior year. Contributions from property owners decreased from \$33.2 million in 2006 to \$2.3 million in 2007. Charges for services increased by \$4.8 million (82.1%) because of certain reporting reclassifications from the prior year, property taxes and RDA tax increment increased by \$3.0 million (12.1%), operating grants and contributions decreased by \$2.9 million (41.2%) because of certain reporting reclassifications to capital grants and contributions in the current year, and interest revenue was up \$2.96 million (76.9%). Interest revenue increased due to the larger cash with fiscal agent balance as a result of issuing the 2007 Tax Allocation Revenue Bonds and an increase in interest rates on earnings from the previous year.



Total expenses increased by \$4.3 million from the prior year, or by 7.8%. Of this increase, public safety expenses increased \$2.7 million due mainly to increases in salaries and overtime of \$1.38 million and benefits of \$507 thousand, respectively. The increase in interest on long-term debt is due to increases in interest expense related to the outstanding debt and other notes payable.



MAJOR FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

Major Governmental Funds. The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$20.9 million, while total fund balance reached \$21.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 72.1% of total General Fund expenditures, while total fund balance represents 73.4% of that same amount.

The fund balance of the City's General Fund increased by \$2.3 million or 12.3%. The reasons for significant changes in the revenues and expenditures of the City's General Fund from the prior year is as follows:

- Overall General Fund revenues decreased by \$1.0 million. The decrease was mainly due to a decrease of \$876 thousand in motor vehicle in lieu taxes.

- Overall General Fund expenditures increased by \$2.2 million. General government expenditures increased by \$2.0 million from the prior year while public works expenditures decreased by \$1.7 million from the same period. These almost identical increases/decreases were the result of certain account reclassifications between the two functions in the current year. Public safety expenditures increased by \$1.9 million from the prior year mainly due to increases in salaries and overtime of \$1.38 million and benefits of \$507 thousand, respectfully.

The **Redevelopment Agency Area 3** Debt Service Fund has a total fund balance of \$10.4 million, all of which is reserved for debt service. The net increase in fund balance during the current year was \$9.7 million. Tax increment revenues increased by \$1.9 million from the prior year and while total expenditures decreased by the same \$1.9 million. Expenditures increased from 2006 by \$2.4 million because of issuance costs related to the 2007 Tax Allocation Bonds and decreased by \$4.2 million because bond defeasance expenditures were not incurred. The issuance of the 2007 Tax Allocation Bonds generated an other financing source of \$115 million. The monies received were subsequently transferred as part of the \$117.3 million transfers out total. Monies were transferred to the respective capital projects funds for spending.

The **Public Financing Authority** Debt Service Fund has a total fund balance of \$2.5 million, all of which was reserved for debt service. The net change of \$2.1 million in fund balance during the current year was the result of an increase in transfers in.

The **Areawide Capital Projects** Fund has a total deficit fund balance of \$2.6 million, all of which was unreserved. The net change in fund balance during the current year was an increase of \$657 thousand. This was the result of an increase in intergovernmental revenues of \$6.0 million, an increase in capital outlay costs of \$6.7 million, a \$1.1 million decrease in principal payments related to a capital lease and an increase in transfers in of \$3.1 million.

The **2007 TAB B** Capital Projects Fund has a total fund balance of \$48.6 million, of which \$38.2 million was unreserved. The net change in fund balance during the current year was an increase of \$48.6 million. This was mostly due to \$48.2 million of 2007 Tax Allocation Bond monies transferred in and interest earnings of \$382 thousand.

The **2007 TAB C** Capital Projects Fund has a total fund balance of \$29.7 million, of which \$29.4 million was unreserved. The net change in fund balance during the current year was an increase of \$29.7 million. This was mostly due to \$29.4 million of 2007 Tax Allocation Bond monies transferred in and interest earnings of \$309 thousand.

GENERAL FUND BUDGET

The General Fund budgeted revenues were not changed from the original budget. Actual revenues were less than the final budget by \$1.3 million or 5.1%. Of this variance, taxes had the largest change of \$1.1 million, which often fluctuates because it is dependent on State legislation.

The difference between the total original appropriations and the final amended budgeted expenditures of the General Fund was an increase of \$16 thousand. The significant budget changes were for the general government function (a decrease in appropriations of \$173 thousand), the public safety function (an increase in appropriations of \$254 thousand) and capital outlay (a decrease of \$67 thousand).

The only significant deviation between the final budget of the General Fund and its actual operating results were for the general government function (under spent by \$535 thousand), which was due to conservative spending.

These deviations did not affect the City's liquidity or ability to provide future government services.

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$125.2 million. This investment in capital assets includes land, buildings, equipment, vehicles, furniture and fixtures, infrastructure and construction in progress. The net increase in the City's investment in capital assets was 22.5%.

The major additions to capital assets during the year ended June 30, 2007 were as follows:

CITY OF CATHEDRAL CITY

- Cove Assessment District project - \$12.7 million.
- Curbs and gutters related to the 35th Avenue project - \$5.4 million
- 30th Avenue Soccer Park project - \$4.6 million.
- Dream Homes Assessment District sewer project - \$2.9 million.
- City vehicles replacement (police, fire and public works) - \$2.0 million. This included 28 police vehicles, four public works vehicles and a fire truck.

Major unexpended construction commitments as of year end included the Southside Downtown Development District, a \$9.5 million project for mixed use, commercial and a housing project within the Southside of Cathedral City. This project is still ongoing with no change in the amount committed.

Additional information on the City's capital assets can be found in note 5 to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had bonded debt outstanding of \$242.4 million. The debt issues include \$855 thousand in certificates of participation, \$5.2 million in taxable lease revenue bonds, \$225.1 million in tax allocations revenue bonds, and \$11.2 million in revenue bonds. The following table summarizes the activity for the year ended June 30, 2007.

CITY OF CATHEDRAL CITY
Outstanding Debt
(in thousands)

Governmental Activities:

CITY OF CATHEDRAL CITY Capital Assets (net of depreciation) (in thousands)				
Governmental Activities:				
	Balance at July 1, 2006	Additions	Retirements	Balance at June 30, 2007
Land	\$ 18,945	2,872	(213)	21,604
Construction in progress	22,663	20,369	-	43,032
Buildings	31,379	-	-	31,379
Equipment	2,279	834	-	3,113
Vehicles	6,554	2,028	(964)	7,618
Furniture and fixtures	1,026	-	-	1,026
Infrastructure	84,783	5,653	-	90,436
Accumulated depreciation	<u>(42,446)</u>	<u>(3,350)</u>	<u>960</u>	<u>(44,836)</u>
Total	<u>\$125,183</u>	<u>28,406</u>	<u>(217)</u>	<u>153,372</u>

	Balance at July 1, 2006	Additions/ Adjustments	Reductions	Balance at June 30, 2007
Certificates of participation	\$ 1,110	-	(255)	855
Lease bonds	5,275	-	(100)	5,175
Tax allocation bonds	112,426	115,000	(2,280)	225,146
Limited obligation bond	12,760	570	(2,110)	11,220
Capital leases	1,852	-	(352)	1,500
Long-term loans and notes	8,138	760	(442)	8,456
Compensated absences	2,249	1,735	(1,374)	2,610
Claims and judgments	<u>2,748</u>	<u>352</u>	<u>(892)</u>	<u>2,208</u>
Total	<u>\$146,558</u>	<u>118,417</u>	<u>(7,805)</u>	<u>257,170</u>

The City's total debt increased by \$110.6 million during the current fiscal year, mostly as a result of the issuance of \$115.0 million in 2007 Tax Allocation Bonds to finance certain redevelopment projects within the City. These projects include the Eastside Downtown Development Project, auto dealer expansion, hotel and golf course construction, fire station construction, flood control, and street construction.

In addition, there were principal repayments of \$5.5 million on bonded debt, capital leases, long-term loans and notes.

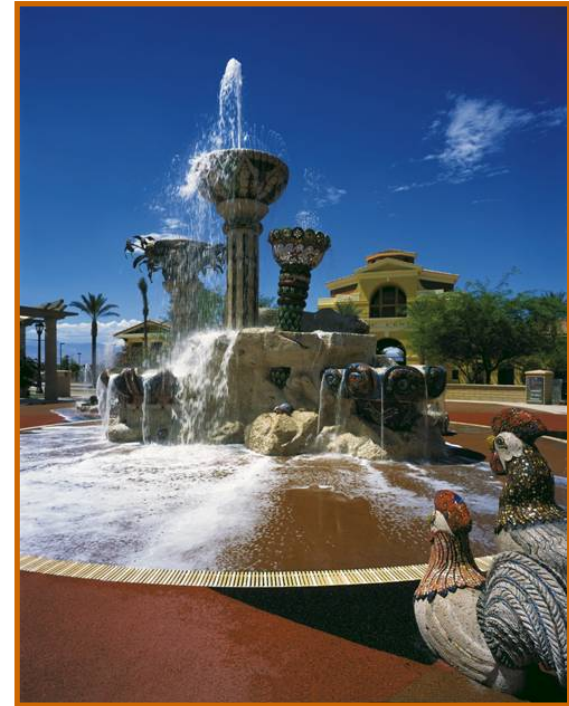
The City's 2007 Tax Allocation Bonds (Series A and B) received a "AAA" rating from Standard & Poor's and an "AAa" rating from Moody's. The bonds also received unsecured ratings of "A" from Standard & Poor's and an "A3" rating from Moody's.

Additional information on the City's long-term debt can be found in note 6 to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at: City of Cathedral City, 68-700 Avenida Lalo Guerrero, Cathedral City, California 92234.

Basic Financial Statements



Statement of Net Assets

June 30, 2007 (In thousands)

	Governmental Activities	Cathedral City Downtown Foundation (Component Unit) (Enterprise Fund)
Assets		
Cash and investments	\$ 102,373	65
Cash and investments with fiscal agent	104,534	-
Investment in assessment district debt	11,220	-
Interest receivable	1,071	-
Accounts receivable	3,719	-
Loans receivable	10,789	-
Prepaid expenses	48	4
Inventories	27	-
Land held for resale	42,373	-
Other assets	4,238	-
Deposits	1,193	2
Capital assets:		
Not being depreciated	64,636	-
Being depreciated, net	88,736	62
Total assets	434,957	133
Liabilities		
Accounts payable	3,932	36
Accrued liabilities	808	3
Intergovernmental payable	15	-
Insurance payable	250	-
Other payables	4	-
Deposits	837	4
Unearned revenue	833	-
Interest payable	3,330	-
Noncurrent liabilities:		
Due within one year	6,865	-
Due in more than one year	249,813	-
Total liabilities	266,687	43
Net Assets		
Invested in capital assets, net of related debt	129,980	62
Restricted for:		
Capital projects	65,500	-
Debt service	32,963	-
Community development	63,368	-
Other purposes	3,920	-
Unrestricted	(127,461)	28
Total net assets	\$ 168,270	90

The notes to the financial statements are an integral part of this statement.

Statement of Activities
Year ended June 30, 2007 (In thousands)

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Cathedral City Downtown Foundation (Enterprise Fund)
Functions/Programs						
Governmental activities:						
General government	\$ 17,617	7,719	631	-	(9,267)	
Public works	4,960	600	1,375	10,237	7,252	
Public safety	19,703	1,957	1,613	-	(16,133)	
Community development	9,413	441	472	-	(8,500)	
Interest on long-term debt	8,070	-	-	-	(8,070)	
Total governmental activities	59,763	10,717	4,091	10,237	(34,718)	
Total primary government	\$ 59,763	10,717	4,091	10,237	(34,718)	
Component Unit						
Cathedral City Downtown Foundation	\$ 1,197	985	210	-		(2)
Total component unit	\$ 1,197	985	210	-		(2)
General revenues:						
Taxes:						
Property taxes					28,145	-
Sales taxes					10,008	-
Other taxes					6,240	-
Franchise fees					2,031	-
Interest					6,803	-
Miscellaneous					4,131	-
Total general revenues					57,358	-
Change in net assets					22,640	(2)
Net assets at beginning of year					145,630	92
Net assets at end of year					168,270	90

The notes to financial statements are an integral part of this statement.

Balance Sheet
Governmental Funds
June 30, 2007 (In thousands)

	Debt Service Funds			Capital Projects Funds			Nonmajor Funds	Total
	General	Redevelopment Agency Area 3	Public Financing Authority	Areawide Capital Projects	2007 TAB B	2007 TAB C		
Assets								
Cash and investments	\$ 19,394	10,130	-	-	1,660	3,853	59,482	94,519
Cash and investments with fiscal agent	-	16	2,476	-	36,532	25,514	39,996	104,534
Investment in assessment district debt	-	-	11,220	-	-	-	-	11,220
Interest receivable	250	108	-	-	17	41	589	1,005
Accounts receivable	1,306	178	-	262	-	-	1,968	3,714
Loans receivable	-	-	-	-	-	-	10,789	10,789
Due from other funds	2,371	-	-	-	-	-	-	2,371
Prepaid assets	48	-	-	-	-	-	-	48
Land held for resale	-	-	-	-	9,594	282	32,497	42,373
Deposits	-	-	-	-	813	-	380	1,193
Total assets	<u>\$ 23,369</u>	<u>10,432</u>	<u>13,696</u>	<u>262</u>	<u>48,616</u>	<u>29,690</u>	<u>145,701</u>	<u>271,766</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 1,310	6	-	1,133	-	8	1,396	3,853
Accrued liabilities	748	-	-	-	-	-	61	809
Intergovernmental payable	-	-	-	-	-	-	15	15
Other payables	-	-	-	-	-	-	4	4
Deposits	64	-	-	-	-	-	773	837
Due to other funds	-	-	-	1,549	-	-	822	2,371
Deferred revenue	36	-	11,220	177	-	-	620	12,053
Total liabilities	<u>2,158</u>	<u>6</u>	<u>11,220</u>	<u>2,859</u>	<u>-</u>	<u>8</u>	<u>3,691</u>	<u>19,942</u>
Fund balances:								
Reserved for:								
Capital projects	-	-	-	115	-	-	-	115
Debt service	-	10,426	2,476	-	-	-	6,294	19,196
Deposits	-	-	-	-	813	-	380	1,193
Land held for resale	-	-	-	-	9,594	282	32,497	42,373
Loans receivable	-	-	-	-	-	-	10,789	10,789
Microfilm fees	307	-	-	-	-	-	-	307
Prepaid assets	48	-	-	-	-	-	-	48
Unreserved - undesignated, reported in:								
General fund	20,856	-	-	-	-	-	-	20,856
Special revenue funds	-	-	-	-	-	-	13,955	13,955
Capital projects funds	-	-	-	(2,712)	38,209	29,400	78,095	142,992
Total fund balances (deficits)	<u>21,211</u>	<u>10,426</u>	<u>2,476</u>	<u>(2,597)</u>	<u>48,616</u>	<u>29,682</u>	<u>142,010</u>	<u>251,824</u>
Total liabilities and fund balances	<u>\$ 23,369</u>	<u>10,432</u>	<u>13,696</u>	<u>262</u>	<u>48,616</u>	<u>29,690</u>	<u>145,701</u>	<u>271,766</u>

The notes to financial statements are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2007 (In thousands)

Total fund balances - governmental funds	\$ 251,824
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets of the internal service funds of \$3,949 are included in the internal service funds adjustment below.	149,423
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets. Long-term liabilities of the internal service funds of \$2,283 are included in the internal service funds adjustment below.	(254,395)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(3,330)
Other long-term assets that are not considered available to pay for current expenditures are not reported in the governmental funds.	4,238
Deferred revenue recognized under the accrual method of accounting.	11,220
Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the Statement of Net Assets.	9,290
Net assets of governmental activities	<u><u>\$ 168,270</u></u>

The notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2007 (In thousands)

	Debt Service Funds			Capital Projects Funds			Nonmajor Funds	Total
	General	Redevelopment Agency Area 3	Public Financing Authority	Areawide Capital Projects	2007 TAB B	2007 TAB C		
Revenues								
Taxes	\$ 17,869	15,005	-	-	-	-	11,519	44,393
Intergovernmental	65	-	-	7,547	-	-	4,206	11,818
Licenses and permits	1,148	-	-	178	-	-	44	1,370
Fines and forfeitures	14	-	-	-	-	-	395	409
Charges for services	4,252	-	-	-	-	-	1,140	5,392
Interest	1,058	241	38	-	382	309	4,697	6,725
Contributions from property owners	-	-	2,394	-	-	-	-	2,394
Gain on sale of land held for resale	-	-	-	-	-	-	90	90
Miscellaneous	792	-	-	24	-	-	1,632	2,448
Total revenues	25,198	15,246	2,432	7,749	382	309	23,723	75,039
Expenditures								
Current:								
General government	8,433	256	-	127	-	-	2,160	10,976
Community development	-	-	-	-	-	8	4,321	4,329
Public safety	18,420	-	-	-	-	-	746	19,166
Public works	1,372	-	-	-	-	-	1,485	2,857
Payments under pass-through agreements	-	4,599	-	-	-	-	386	4,985
Capital outlay	685	-	-	11,197	-	-	19,461	31,343
Loss on sale of land held for resale	-	-	-	-	-	-	86	86
Debt service:								
Principal	-	-	4,645	115	-	-	147	4,907
Interest	-	195	5,643	63	-	-	476	6,377
Bond issuance costs	-	2,366	-	-	-	-	-	2,366
Total expenditures	28,910	7,416	10,288	11,502	-	8	29,268	87,392
Excess (deficiency) of revenues over (under) expenditures	(3,712)	7,830	(7,856)	(3,753)	382	301	(5,545)	(12,353)
Other financing sources (uses)								
Transfers in	4,863	4,000	10,027	4,410	52,234	29,381	38,018	142,933
Transfers out	(1,727)	(117,334)	(1)	-	(4,000)	-	(22,621)	(145,683)
Gain on sale of capital assets	2,896	-	-	-	-	-	-	2,896
Issuance of debt	-	115,000	-	-	-	-	-	115,000
Bond premium	-	229	-	-	-	-	-	229
Total other financing sources (uses)	6,032	1,895	10,026	4,410	48,234	29,381	15,397	115,375
Net change in fund balances	2,320	9,725	2,170	657	48,616	29,682	9,852	103,022
Fund balances (deficits), beginning	18,891	701	306	(3,254)	-	-	132,158	148,802
Fund balances (deficits), ending	\$ 21,211	10,426	2,476	(2,597)	48,616	29,682	142,010	251,824

The notes to financial statements are an integral part of this statement.

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities**
Year ended June 30, 2007 (In thousands)

Net change in fund balances - total governmental funds	\$ 103,022
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation and retirements. The internal service fund had activity of \$1,448, which is included in the internal service adjustment below.	26,741
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The internal service fund had activity of \$748, which is included in the internal service adjustment below.	(109,973)
Reversal of prior year deferred revenue.	(1,540)
Internal service funds are used by management to charge the costs of activities involved in rendering services to departments within the City. Internal service funds are reported with governmental activities.	4,390
Change in net assets of governmental activities	<u><u>\$ 22,640</u></u>

The notes to financial statements are an integral part of this statement.

Statement of Net Assets
Proprietary Funds
June 30, 2007 (In thousands)

	Governmental Activities - Internal Service Funds
Assets	
Current assets:	
Cash and investments	\$ 7,854
Interest receivable	66
Accounts receivable	5
Inventories	27
Total current assets	<u>7,952</u>
Capital assets:	
Vehicles	7,618
Accumulated depreciation	<u>(3,669)</u>
Total capital assets (net of accumulated depreciation)	<u>3,949</u>
Total assets	<u><u>\$ 11,901</u></u>
Liabilities and Net Assets	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 78
Claims payable	500
Insurance payable	250
Capital lease payable	75
Total current liabilities	<u>903</u>
Noncurrent liabilities:	
Claims payable	<u>1,708</u>
Total noncurrent liabilities	<u>1,708</u>
Total liabilities	<u>2,611</u>
Net assets:	
Invested in capital assets, net of related debt	3,874
Unrestricted	<u>5,416</u>
Total net assets	<u>9,290</u>
Total liabilities and net assets	<u><u>\$ 11,901</u></u>

The notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year ended June 30, 2007 (In thousands)

	Governmental Activities - Internal Service Funds
Operating revenues	
Charges for services	\$ 5,340
Miscellaneous	516
Total operating revenues	5,856
Operating expenses	
Insurance claims and expenses	3,693
Repairs and maintenance	198
Depreciation	554
Other expenses	102
Total expenses	4,547
Operating income (loss)	1,309
Nonoperating revenues (expenses)	
Interest revenue	299
Interest expense	(12)
Gain on sale of capital assets	44
Total nonoperating revenues (expenses)	331
Income before transfers	1,640
Transfers	
Transfers in	3,250
Transfers out	(500)
Total transfers	2,750
Change in net assets	4,390
Net assets, beginning	4,900
Net assets, ending	\$ 9,290

The notes to financial statements are an integral part of this statement.

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2007 (In thousands)

	Governmental Activities - <u>Internal Service Funds</u>
Cash flows from operating activities	
Receipts from customers and user departments	\$ 5,674
Payments to suppliers for goods and services	(4,879)
Other receipts (payments)	516
Net cash provided by (used in) operating activities	<u>1,311</u>
Cash flows from noncapital financing activities	
Transfers from other funds	3,240
Transfers to other funds	(500)
Net cash provided by (used in) noncapital financing activities	<u>2,740</u>
Cash flows from capital and related activities	
Purchase of capital assets	(2,006)
Principal paid on capital debt	(208)
Interest paid on capital debt	(12)
Proceeds from sale of capital assets	46
Net cash provided by (used in) capital and related activities	<u>(2,180)</u>
Cash flows from investing activities	
Interest received on investments	271
Net cash provided by (used in) investing activities	<u>271</u>
Net increase (decrease) in cash and cash equivalents	2,142
Cash and cash equivalents at beginning of year	<u>5,712</u>
Cash and cash equivalents at end of year	<u><u>\$ 7,854</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	<u>\$ 1,309</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	554
(Increase) decrease in accounts receivable	-
(Increase) decrease in inventories	(7)
Increase (decrease) in insurance payable	-
Increase (decrease) in claims payable	(539)
Increase (decrease) in accrued liabilities	(59)
Increase (decrease) in accounts payable	41
(Increase) decrease in amounts payable related to equipment purchases	12
Total adjustments	<u>2</u>
Net cash provided by (used for) operating activities	<u><u>\$ 1,311</u></u>
Noncash investing, capital, and financing activities	
Purchase of equipment on account	\$ (12)

The notes to financial statements are an integral part of this statement.

Statement of Fiduciary Assets and Liabilities
Fiduciary Funds**June 30, 2007** (In thousands)

	Agency Funds
	<hr/>
Assets	
Cash and investments	\$ 8,899
Cash and investments with fiscal agent	8,014
Interest receivable	120
Special assessments receivable	<hr/> 52,921
Total assets	<hr/> <hr/> \$ 69,954
Liabilities	
Accounts payable	\$ 46
Due to bondholders	<hr/> 69,908
Total liabilities	<hr/> <hr/> \$ 69,954

The notes to financial statements are an integral part of this statement.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting entity

The City of Cathedral City (the “City”) was incorporated under the general laws of the State of California and enjoys all the rights and privileges pertaining to such “General Law” cities. The City operates under a Council-Manager form of government and the City Council is composed of five members. Among the services provided by the City are the following: public works, parks and recreation, planning, community development, and fire and law enforcement services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization’s governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City’s financial statements to be misleading or incomplete.

Blended component units

The Cathedral City Redevelopment Agency, Cathedral City Public Improvement Corporation, and the Cathedral City Public Financing Authority component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and so data from these units are reported with the interfund data of the City.

Cathedral City Redevelopment Agency – The Cathedral City Redevelopment Agency (the “Agency”) was established pursuant to the State of California Health and Safety Code, Section 33000, entitled “Community Redevelopment Law.” Its purpose is to prepare and carry out plans for improvement, rehabilitation, and redevelopment of blighted areas within the territorial limits of the City of Cathedral

City. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Agency. Separate financial statements of the Agency can be obtained at City Hall.

Cathedral City Public Improvement Corporation – The Cathedral City Public Improvement Corporation (the “Corporation”) was formed solely for the benefit of the City of Cathedral City in financing public improvements of the City. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Public Improvement Corporation. Separate financial statements are not prepared for the Corporation because it has no activity to report.

Cathedral City Public Financing Authority – The Cathedral City Public Financing Authority (the “Authority”) was established on December 1, 1993, for the purpose of financing public capital improvements. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Authority. The City of Cathedral City does not produce separate financial statements for the Authority.

Discretely presented component unit

The following component unit is reported in a separate column in the government-wide statement of net assets to emphasize its legal separation from the City.

The Cathedral City Downtown Foundation (the “Foundation”) was incorporated on December 20, 2000, as a nonprofit public benefit corporation under IRS Section 501(c)(3). The purpose of the Foundation is to operate educational facilities and/or attractions in the City of Cathedral City Downtown Area, to instruct the public on subjects useful to the individual and beneficial to the community, and to encourage and raise monetary and/or in lieu contributions via gifts, endowments and bequests for the purpose of enhancing and/or improving those services, facilities, and equipment currently provided at the IMAX Theater located in the City of Cathedral City.

The Foundation is included as a discretely presented component unit of the City, as the City appoints the governing board and approves the Foundation’s budget. Separate financial statements are not available for the Foundation. Transactions are recorded in a single enterprise fund.

Government-wide and fund financial statements

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which

taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are not recognized until paid.

Property taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The City reports the following major governmental funds:

General Fund – This is the general operating fund of the City. It is used to account for financial resources except those required to be accounted for in other funds.

Redevelopment Agency Area 3 Fund (Debt Service) – This fund is used to repay principal and interest on long-term indebtedness of the Agency.

Public Financing Authority Fund (Debt Service) – This fund is used to account for revenues and proceeds of debt service and to repay principal and interest.

Areawide Capital Projects Fund – This fund accounts for City-wide capital projects not otherwise budgeted for in another fund.

2007 TAB B Fund (Capital Projects) – Accounts for miscellaneous capital improvements within the 2006 Merged Redevelopment Project Area funded by the 2007 Tax Allocation Bonds, Series B.

2007 TAB C Fund (Capital Projects) – Accounts for miscellaneous capital improvements within the 2006 Merged Redevelopment Project Area funded by the 2007 Tax Allocation Bonds, Series C.

Additionally the City reports the following fund types:

Special revenue funds are used to account for revenues derived from specific sources, which are usually required by law or administrative regulation to be accounted for in a separate fund.

Debt service funds are used to account for tax increment revenues, bond proceeds required to be set aside for future debt service, and related interest income. The funds are used to repay principal and interest on long-term indebtedness of the City of Cathedral City, the Cathedral City Public Improvement Corporation, the Cathedral City Redevelopment Agency, and the Cathedral City Public Financing Authority.

Capital projects funds are used to account for financial resources to be used for the development and redevelopment projects within the City. Such projects include street improvements, parks, and Cathedral City Redevelopment Agency activity.

Internal service funds, which are proprietary funds, are used to finance and account for the purchase of motor vehicles and the related maintenance and insurance expense, and to account for the cost of liability insurance. Such costs are accumulated in these funds and charged to the user departments on an estimated cost reimbursement basis or through transfers.

Agency funds, which are fiduciary funds, are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The agency funds are used

to account for taxes received for special assessments debt, for which the City is not obligated.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: (1) charges to members, customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's internal service funds are charges to customers within the primary government for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then use unrestricted resources as needed.

Assets, liabilities and net assets or equity

Cash and investments

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market rates.

Changes in fair value that occur during a fiscal year are recognized as interest income reported for that fiscal year. Investment earnings include interest earnings, changes in fair value, and any gains or losses realized upon liquidation, maturity or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

For purposes of the statement of cash flows, cash and cash equivalents are defined as short-term (maturing within three months), highly-liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds share in the cash and investment pool of the City of Cathedral City.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and prepaid items

Proprietary fund inventories are stated at average cost. Physical counts of inventory are completed at fiscal year end. The City uses the consumption method of accounting for these inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Land held for resale

The Cathedral City Redevelopment Agency has acquired parcels of land as part of their primary purpose to develop or redevelop blighted areas. They record these parcels as land held for resale in their financial records. The properties held for

resale are recorded at cost. At June 30, 2007, land held for resale with a cost of \$42,373,000 was recorded, with this amount offset by a reservation of fund balance in the governmental funds financial statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, traffic signals, drainage systems, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	45 years
Improvements other than buildings	45 years
Machinery and equipment	5 - 10 years
Infrastructure	8 - 60 years

Compensated absences

Regular status City employees earn vacation hours based upon their respective Memorandum of Understanding (MOU) and length of service. Annual earned vacation hours range from 96 to 324 hours. Employees can carry forward unused vacation hours up to twice the annual earned amount for use in a subsequent year. There is no limit for non-represented employees.

Regular status City employees earn sick leave based upon their respective MOU. Sick leave is earned at a rate of either 3.69 or 5.54 hours per pay period. The range of hours that can be carried forward is from 580 to 1,440 for use in a subsequent year.

Upon termination or retirement, regular status employees are entitled to receive compensation at their current base salary for all unused vacation leave. Effective July 1, 1987, employees with continuous employment may receive compensation for 25% of unused sick leave when they resign or retire. Continuous employment is defined as either three to seven years or five to nine years, depending upon an employee's respective MOU.

Employees with continuous employment of greater than seven or nine years may receive compensation for 50% of sick leave when they resign or retire, depending upon their respective MOU. The City has utilized the vesting method to record the estimated portion of sick leave balances that are likely to be paid immediately following the employee's resignation or retirement.

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee. The General Fund is generally used to liquidate the liability for compensated absences.

If material, a proprietary fund type liability is accrued for the leave benefits relating to the operations of the proprietary funds. A current liability is accrued in the governmental funds for material leave benefits due on demand to governmental funds employees that have terminated prior to year end. All other amounts are recorded in long-term debt. These noncurrent amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

Property taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes are pooled and allocated to cities based on complex formulas prescribed by state statutes. Accordingly, the City of Cathedral City accrues only those taxes that are received within 60 days after year end.

Lien Date:	January 1
Levy Date:	July 1
Due Date:	November 1 – 1 st Installment March 1 – 2 nd Installment
Delinquent Date:	December 10 – 1 st Installment April 10 – 2 nd Installment

Taxes are collected by Riverside County and are remitted to the City periodically. Dates and percentages are as follows:

December	30% Advance
January	Collection No. 1
April	10% Advance
May	Collection No. 2
July	Collection No. 3

The City is a participant in the Teeter plan under the California Revenue and Taxation Code. The County of Riverside has responsibility for the collection of delinquent taxes and the City receives 100% of the levy.

Enrollment in group insurance plans – post-retirement

Employees retiring from the City, who are taking a qualified retirement under the PERS system, have at least five years service with the City, and who have reached at least age 55, or age 50 for public safety, may elect within two months after retirement to participate in such group health insurance policies provided by the City. The cost of such insurance coverage, which the City chooses from time to time, is determined by the employee's negotiated MOU at the time of retirement.

As permitted by law, the City's health insurance policy shall become secondary to any applicable federal or state government health programs as soon as the retired

employee becomes eligible, or the retired employee reaches age 65, whichever comes first.

City employees retiring under the PERS Retirement Program with five years of continuous employment with the City can, at their own expense, pay for the group life insurance.

Claims and judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. Claims incurred but not reported are recorded as a liability when the liability has been incurred or an asset has been impaired and the amounts can be reasonably determined. Liability for general liability claims is recorded in the internal service fund that accounts for the City's general liability activities. Liabilities for workers compensation are recorded in the insurance fund.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Stewardship, compliance and accountability

Budgetary data

The City of Cathedral City adopts a two-year budget prepared on the modified accrual basis of accounting for the general fund and certain special revenue funds (Low and Moderate Income Housing, State Gas Tax, Air Quality Improvement, Solid Waste, Measure A, Police Donations, and Fire Donations). The City Manager and Administrative Services Director prepare and submit the two-year budget to City Council for adoption prior to the end of the two-year period and administer it after adoption. The two-year period starts on July 1 of each even-numbered year. Annual appropriation limits are approved by City Council prior to the beginning of each year of the two-year budget period. All appropriations lapse at year-end.

The Administrative Services Director is authorized to adjust appropriations between each department, provided that the total activity does not exceed the amounts approved in the budget for any amending resolutions. Transfers of cash or unappropriated fund balance from one fund to another can only be made with City Council's approval. Unexpended appropriations for authorized, but uncompleted projects in the capital improvements budget can be carried forward to the next succeeding budget upon approval of the City Manager or the Administrative Services Director. For each fund, total expenditures may not legally exceed total appropriations. During the year, several supplementary appropriations were necessary. Individual amendments were not material in relation to the original appropriations.

Appropriations limit

Under Article XIIB of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements. For the fiscal year ended June 30, 2007, proceeds of taxes did not exceed appropriations.

Deficit fund balances/net assets (in thousands)

Capital projects fund:	
Areawide Capital Projects	\$ 2,597
Nonmajor special revenue funds:	
TDA SB821	31
NPDES Program	10
Solid Waste	300
Telecommunications Equipment	2
Transfer Station Road	345

These deficit balances will be eliminated through future revenues.

Expenditures in excess of appropriations

The nonmajor special revenue funds in the table below exceeded appropriated expenditures by the designated amounts (in thousands).

Low and Moderate Income Housing	\$ 490
State Gas Tax	60
Measure A	1,082

Low and Moderate Income Housing expenditures exceeded appropriations mainly because expenditures (and the related revenue reimbursements) were not specifically budgeted for the Community Home Improvement Program (CHIP), Assessment District Fee Assistance Program (ADFAP) and the Sewer Hook-Up Assistance Redevelopment Program. State Gas Tax and Measure A expenditures exceeded appropriations because capital-related expenditures are budgeted for in a separate capital budget, as these expenditures may cross over several fiscal periods.

NOTE 2 – CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes the cash balances of all funds, and is invested by the City Treasurer to enhance interest earnings. The pooled interest earned, net of administrative fees, is allocated to each fund based on daily cash balances.

At June 30, 2007, cash and investments were reported in the accompanying financial statements as follows (amounts in thousands):

Governmental activities	\$ 206,907
Component unit	65
Agency funds	16,913
Total cash and investments	<u>\$ 223,885</u>

Cash and investments as of June 30, 2007 consist of the following (amounts in thousands):

Cash on hand	\$ 6
Deposits with financial institutions	117,262
Investments	106,617
Total cash and investments	<u>\$ 223,885</u>

Investments

The Administrative Services Director updates the Statement of Investment Policy annually. It is then presented to the City Council for approval. Authority to manage the investment program is granted to the City Treasurer who shall be responsible for the investment of all funds. In his absence, the Administrative Services Director, and/or Director of Finance, and City Manager, in that order, are authorized to act on his behalf.

The City's investment policy provides the basis for the management of a prudent, conservative investment program. Public funds are invested for the maximum security of principal, to meet daily cash flow needs, while providing the best investment return. All investments are made in accordance with the California Government Code and, in general, the City's policy is more restrictive than State law. The City did not have any violations of its policy during the current fiscal year. Section 53607 of the California Government Code allows the City Council to delegate its investment authority to the City Treasurer and requires that the City Treasurer provide a monthly report to the City Council of its investment transactions. The annual delegation of authority is incorporated into the investment policy. The Treasurer's Report meets the requirement for monthly investment reporting.

Investments authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by California Government Code Sections 53600 et al, 16429.1 and 53684 (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Government Agency Issues	5 years	80%	None
Banker's Acceptances	180 days	40%	30%
Medium-Term Notes	5 years	30%	5%
Local Agency Investment Fund (LAIF)	N/A	80%	\$40 million**
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	N/A	30%	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

** Maximum is \$40 million per account. The City maintains three accounts with LAIF: City, Redevelopment Agency and Public Financing Authority.

Investments authorized by debt agreements

Investment of debt proceeds held by the bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The following table identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	N/A	None	None
U.S. Agency Securities	5 years	None	None

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a

combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity (amounts in thousands):

Investment Type		Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Federal Agency Securities	\$ 43,431	10,891	8,695	23,845
Corporate Medium Term Notes	1,965	999	-	966
Local Agency Investment Fund:				
City of Cathedral City	19,535	19,535	-	-
Redevelopment Agency	36,845	36,845	-	-
Public Financing Authority	4,841	4,841	-	-
Total	<u>\$ 106,617</u>	<u>73,111</u>	<u>8,695</u>	<u>24,811</u>

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally-recognized statistical rating organization. The following presentation is the minimum rating required (where applicable) by the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type (amounts in thousands):

Investment Type		Minimum Rating	Exempt from Rating	Rating as of Year End	
				Aaa/AAA	Aa3/A+
Federal Agency Securities	\$ 43,431	N/A	-	43,431	-
Corporate Medium Term Notes	1,965	A	-	-	1,965
Local Agency Investment Fund	61,221	N/A	61,221	-	-
	<u>\$ 106,617</u>		<u>61,221</u>	<u>43,431</u>	<u>1,965</u>

Concentration of credit risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal Agency Securities	\$ 31,689
FNMA	Federal Agency Securities	7,791

Custodial credit risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a

depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments. As of June 30, 2007, City investments in the following investment types were held by the safekeeping departments of Union Bank, Wells Fargo Bank, UBS Financial Services, and Wachovia Securities (amounts in thousands):

Investment Type	Amount
Federal Agency Securities	\$ 43,431
Corporate Medium Term Notes	1,965

Local Agency Investment Fund (LAIF)

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

NOTE 3 – RECEIVABLES

Receivables balances as of June 30, 2007, for the government's individual major funds and nonmajor funds in the aggregate, are as follows (amounts in thousands):

	<u>Interest</u>	<u>Accounts</u>	<u>Loans</u>
General fund	\$ 250	1,306	-
Debt service:			
Redevelopment Agency Area 3	108	178	-
Capital projects:			
Areawide Capital Projects	-	262	-
2007 TAB B	17	-	-
2007 TAB C	41	-	-
Nonmajor governmental funds	<u>589</u>	<u>1,968</u>	<u>10,789</u>
Total governmental funds	<u>\$ 1,005</u>	<u>3,714</u>	<u>10,789</u>

Loans receivable

In March 1997, the City agreed to loan Big League Dreams Sports, LLC, an amount not to exceed \$4,400,000 under an agreement to develop a Sports Park Complex in Cathedral City. As of June 30, 2007, the balance on the loan was \$3,926,000. The loan is being repaid based on the debt service payments due on the 1997 Taxable Lease Revenue Bonds commencing June 1, 1998. The loan is secured by a deed of trust on the Sports Park Complex.

On November 1, 2002, the Agency entered into an Owner Participation Agreement (OPA) with Cathedral/Creekside, L.P. In connection with the OPA, Cathedral/Creekside, L.P. executed a promissory note not to exceed \$1,800,000, secured by a deed of trust. The amounts due under this note shall accrue no interest, and shall be repaid on an annual basis from 50% of the project's residual receipts. For purposes of this note, the "loan term" shall be the period ending thirty years from the date that the certificate of completion is issued by the Agency or thirty days after the maturity date of the obligations, if sold or issued; provided, however, that in no event shall the term exceed thirty-three years. The principal balance outstanding at June 30, 2007 was \$1,800,000.

The Agency and Cathedral City Heritage Park, L.P. entered into an OPA in December 2002 for the development of a 153-unit senior housing complex. The OPA was subsequently amended in June 2004. The OPA provided for Agency assistance to assist the participating owner in the development of the project with a loan in the amount of \$2,700,000 carrying a simple interest rate of 5% per annum and shall be repaid from the residual receipts of the project. The balance outstanding as of June 30, 2007 was \$3,078,000.

On May 1, 2003, the Agency entered into an OPA with Southern California Housing Development Corporation (SCHDC). In connection with the OPA, SCHDC executed a promissory note not to exceed \$1,000,000 secured by a deed of trust. The amounts due under this note shall accrue no interest, and shall be repaid on an annual basis from 50% of the project's residual receipts. For purposes of this note, the "loan term" shall be the period ending thirty years from the date that the certificate of completion is issued by the Agency. The principal balance outstanding at June 30, 2007 was \$1,000,000.

In June 2003, the Agency sold property held as land held for resale to Roberta's Limited Partnership. The sale included a promissory note in the amount of \$362,000 bearing an interest rate of 4.25%. Roberta's Partnership paid off the entire balance of the note, including principal and interest, during the fiscal year ended June 30, 2007.

On June 28, 2006, the Agency entered into a loan agreement with SCHDC in an amount not to exceed \$80,000. If the Agency does not proceed with the project, there is no obligation to repay the loan. If a Disposition and Development Agreement (DDA) is entered into, SCHDC will pay an amount equal to the amount loaned plus simple interest of 3% per annum from the date of disbursement. The principal balance and all accrued and unpaid interest are due fifty-five years from the effective date of the DDA. The principal balance outstanding at June 30, 2007 was \$73,000.

The Agency has entered into loan agreements with low and moderate housing property owners for their benefit. This assistance may include property rehabilitation, property tax payments, etc. If the property owner refinances or sells the property, or no longer qualifies for low and moderate housing under the established guidelines, the amounts loaned are due and payable. At the end of 30 or 45 years, depending on the agreement, the total amount loaned related to that property will be forgiven. The balance outstanding as of June 30, 2007 was \$912,000.

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**Due to/from other funds**

The following due to/from other funds balances are reported in the fund financial statements at June 30, 2007 (amounts in thousands):

	Due from Other Funds	Due to Other Funds
General Fund	\$ 2,371	-
Areawide Capital Projects Fund	-	1,549
Nonmajor governmental funds	-	822
	<u>\$ 2,371</u>	<u>2,371</u>

The outstanding balances between funds result from the amount of monies loaned by the general fund to the respective funds to eliminate negative cash balances.

Interfund transfers

The following interfund transfers are reported in the fund financial statements at June 30, 2007 (amounts in thousands):

Transfers In:	Transfers Out					
	Debt Service			Capital Projects	Nonmajor Governmental Funds	Internal Service Funds
	General Fund	RDA Area 3	Public Financing Authority	2007 TAB Series B		
General fund	\$ -	324	-	-	4,539	-
Major funds:						
Debt service:						
RDA Area 3	-	-	-	4,000	-	-
Public Financing Authority	293	4,834	-	-	4,900	-
Capital projects:						
Areawide Capital Projects	-	178	-	-	4,232	-
2007 TAB Series B	-	52,234	-	-	-	-
2007 TAB Series C	-	29,381	-	-	-	-
Nonmajor governmental funds	83	30,334	1	-	7,600	-
Internal service funds	1,351	49	-	-	1,350	500
Total all funds	<u>\$ 1,727</u>	<u>117,334</u>	<u>1</u>	<u>4,000</u>	<u>22,621</u>	<u>500</u>

Generally, transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, and (3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2007, transfers were made for the purpose of:

- Reimbursing the general fund for salaries, benefits and supplies paid from the general fund for services benefiting other funds.
- Transferring special assessments to the capital improvement funds to fund projects specified by the official statement for the bonds.
- Transferring funds from various funds to the Public Financing Authority for debt service payments as they became due.
- Allocating insurance costs from the insurance fund (an internal service fund) to the appropriate funds utilizing the services.
- Providing funding from special revenue funds to the equipment replacement fund (an internal service fund) to purchase equipment as authorized.

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets at June 30, 2007 is as follows (amounts in thousands):

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Primary government</u>				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 18,945	2,872	(213)	21,604
Construction in progress	22,663	20,369	-	43,032
Total capital assets, not being depreciated	<u>41,608</u>	<u>23,241</u>	<u>(213)</u>	<u>64,636</u>
Capital assets being depreciated:				
Buildings	31,379	-	-	31,379
Equipment	2,279	834	-	3,113
Vehicles	6,554	2,028	(964)	7,618
Furniture and fixtures	1,026	-	-	1,026
Infrastructure	84,783	5,653	-	90,436
Total capital assets, being depreciated	126,021	8,515	(964)	133,572

CITY OF CATHEDRAL CITY

	Beginning Balance	Additions	Retirements	Ending Balance
Less accumulated depreciation:				
Buildings	(6,082)	(697)	-	(6,779)
Equipment	(1,590)	(163)	5	(1,748)
Vehicles	(4,053)	(554)	938	(3,669)
Furniture and fixtures	(1,004)	(4)	-	(1,008)
Infrastructure	(29,717)	(1,932)	17	(31,632)
Total accumulated depreciation	(42,446)	(3,350)	960	(44,836)
Total capital assets, being depreciated, net	83,575	5,165	(4)	88,736
Governmental activities capital assets, net	<u>\$ 125,183</u>	<u>28,406</u>	<u>(217)</u>	<u>153,372</u>
Component unit				
Capital assets being depreciated:				
Equipment	\$ 133	-	-	133
Less accumulated depreciation:				
Equipment	(45)	(26)	-	(71)
Total capital assets, being depreciated, net	<u>\$ 88</u>	<u>(26)</u>	<u>-</u>	<u>62</u>

Depreciation expense was charged to governmental functions as follows (amounts in thousands):

General government	\$ 677
Public safety	139
Public works, including depreciation of infrastructure assets	1,976
Community development	4
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	554
Total depreciation expense	<u>\$ 3,350</u>

NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2007 are as follows (amounts in thousands):

	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:						
Bonds, loans and capital leases payable:						
Certificates of participation	\$ 1,110	-	-	(255)	855	270
Lease bonds	5,275	-	-	(100)	5,175	105
Tax allocation bonds	112,426	-	115,000	(2,280)	225,146	2,395
Limited obligation bond	12,760	570	-	(2,110)	11,220	2,150
Capital leases	1,852	-	-	(352)	1,500	195
Long-term loans and notes payable	8,138	-	760	(442)	8,456	-
Unamortized bond discount	(839)	-	-	32	(807)	-
Unamortized bond premium	98	-	229	(12)	315	-
Subtotal	<u>140,820</u>	<u>570</u>	<u>115,989</u>	<u>(5,519)</u>	<u>251,860</u>	<u>5,115</u>
Other liabilities:						
Compensated absences (Note 1)	2,249	-	1,735	(1,374)	2,610	1,250
Claims and judgments (Note 11)	2,748	-	352	(892)	2,208	500
Total other liabilities	<u>4,997</u>	<u>-</u>	<u>2,087</u>	<u>(2,266)</u>	<u>4,818</u>	<u>1,750</u>
Total governmental activities long-term liabilities	<u>\$ 145,817</u>	<u>570</u>	<u>118,076</u>	<u>(7,785)</u>	<u>256,678</u>	<u>6,865</u>

Certificates of participation

Series 1996 Refunding Lease Revenue Bonds

In December 1996, Certificates totaling \$2,945,000 were issued by the Cathedral City Public Financing Authority (a component unit of the City of Cathedral City) with principal due annually on August 1, in amounts ranging from \$150,000 to \$350,000 and interest payable semi-annually on August 1 and February 1, at interest rates ranging from 4.20% to 5.10%. The amount outstanding at June 30, 2007, was \$855,000.

The proceeds from the Certificates were to be used to refund the Series 1986 Certificates of Participation and the Series 1987 Certificates of Participation ("Prior Certificates"). The proceeds designated to refund the Prior Certificates were used to purchase U.S. government securities, which were held in an escrow account. The securities together with other reserves were used to prepay the Prior Certificates on February 1, 1997 at a prepayment price of 102% of the principal amount then outstanding.

Pursuant to a lease agreement between the City of Cathedral City (“City”) as lessee, and the Cathedral City Public Financing Authority as lessor, the City is required to make lease payments in consideration of the use and occupancy of the projects funded by the 1986 Series Certificates and the 1987 Series Certificates.

Under the terms of the issue, \$295,000 must be set aside in reserve funds, which represented the initial deposit in the reserve fund upon issuance of the Certificates. At June 30, 2007, the actual reserve amount was \$300,000. In addition to the reserve account, pursuant to the lease agreement the City has elected to further secure the payment of the lease payments by providing a mechanism by which the State Controller will make the lease payment directly to the trustee from motor vehicle licensing fees to which the City is entitled pursuant to Sections 11001-11005 of the California Revenue and Taxation Code, excluding the portion allocated to the City that is transferred to counties for certain health and welfare programs.

The annual debt service requirements to amortize the certificates of participation as of June 30, 2007, are as follows (amounts in thousands):

Governmental Activities:

Year Ending June 30	Certificate of Participation	
	Principal	Interest
2008	\$ 270	36
2009	285	22
2010	300	8
	<u>\$ 855</u>	<u>66</u>

Lease bonds payable

1997 Taxable Lease Revenue Bonds

In March 1997, the Cathedral City Public Financing Authority (a component unit of the City of Cathedral City) issued the 1997 Taxable Lease Revenue Bonds (“Bonds”) in the amount of \$5,920,000. The proceeds from the Bonds were loaned to the City of Cathedral City (“City”). The City used the proceeds from the loan to make a construction loan to Big League Dreams Sports, LLC for the construction of a sports complex and community park in the City.

The \$5,920,000 Taxable Lease Revenue Bonds consist of:

- \$315,000 Term Bonds maturing August 1, 2001, bear an interest rate of 6.95%. The bonds are subject to mandatory sinking fund redemption in amounts ranging from \$65,000 to \$180,000 beginning August 1, 1999 and ending August 1, 2001.
- \$535,000 Term Bonds maturing August 1, 2007, bear an interest rate of 7.30%. The bonds are subject to mandatory sinking fund redemption in amounts ranging from \$75,000 to \$105,000 beginning August 1, 2002 and ending August 1, 2007.
- \$1,620,000 Term Bonds maturing August 1, 2017, bear an interest rate of 7.75%. The bonds are subject to mandatory sinking fund redemption in amounts ranging from \$115,000 to \$220,000 beginning August 1, 2008 and ending August 1, 2017.
- \$3,450,000 Term Bonds maturing August 1, 2027, bear an interest rate of 7.875%. The bonds are subject to mandatory sinking fund redemption in amounts ranging from \$240,000 to \$475,000 beginning August 1, 2018 and ending August 1, 2027.

The reserve requirement is an amount equal to the lesser of the maximum annual debt service or the maximum amount permitted to be deposited in the reserve account. At June 30, 2007, the reserve requirement was \$592,000. The amount held in reserve was \$592,000 at June 30, 2007.

The principal balance outstanding at June 30, 2007, was \$5,175,000.

The annual debt service requirements to amortize the lease bonds as of June 30, 2007, are as follows (amounts in thousands):

Governmental Activities:

Year Ending June 30	Lease Bonds	
	Principal	Interest
2008	\$ 105	401
2009	115	393
2010	120	384
2011	130	374
2012	140	363
2013 - 2017	895	1,627
2018 - 2022	1,300	1,205
2023 - 2027	1,895	582
2028 - 2032	475	19
	<u>\$ 5,175</u>	<u>5,348</u>

Tax allocation bonds payable2000 Tax Allocation Revenue Bonds, Series A

In April 2000, the Cathedral City Public Financing Authority (a component unit of the City of Cathedral City) issued \$12,311,000 of 2000 Tax Allocation Revenue Bonds, Series A (Senior Bonds). The proceeds were loaned to the City of Cathedral City Redevelopment Agency ("Agency") to assist in financing the construction and acquisition of certain capital improvements in the Agency's Merged Project Area.

The \$12,311,000 Tax Allocation Revenue Bonds, Series A consists of:

- \$4,000,000 Serial Current Interest Bonds that mature serially through August 1, 2015 in annual installments ranging from \$30,000 to \$700,000 at interest rates of 4.10% to 5.50%. Bonds maturing on or after August 1, 2010 are subject to optional redemption, in whole, or in part among such maturities as selected by the Agency and by lot within a maturity, on or after August 1, 2009.
- \$2,320,000 Term Senior Bonds maturing August 1, 2018, bear an interest rate of 5.60%. The bonds are subject to mandatory sinking fund redemption in amounts ranging from \$730,000 to \$820,000 beginning August 1, 2016 and ending August 1, 2018.

- \$3,770,000 Term Senior Bonds maturing August 1, 2022, bear an interest rate of 5.70%. The bonds are subject to mandatory sinking fund redemption in amounts ranging from \$860,000 to \$1,025,000 beginning August 1, 2019 and ending August 1, 2022.
- \$2,221,000 in Serial Capital Appreciation Bonds accruing interest at rates from 6.0% to 6.15%. Principal payments ranging from \$144,000 to \$271,000 commencing August 1, 2023 through August 1, 2033.

The reserve requirement is an amount equal to the lesser of the maximum annual debt service, 125% of average debt service or 10% of the initial principal amount. At June 30, 2007, the reserve requirement was \$1,085,000. A reserve account surety bond for \$1,085,000 was being held at June 30, 2007.

The outstanding principal balance at June 30, 2007, was \$12,116,000.

2002 Tax Allocation Revenue Bonds, Series A

In December 2002, the Cathedral City Public Financing Authority (a component unit of the City of Cathedral City) issued \$24,220,000 of Tax Allocation Revenue Bonds, 2002 Series A. The proceeds were loaned to the City of Cathedral City Redevelopment Agency ("Agency"). The proceeds of the bonds were applied as follows: (a) to refund certain subordinate tax allocation revenue bonds issued by the Authority in 2000, (b) construction and acquisition of certain capital improvements which are located in the Agency's Merged Project Area and Project Area No. 3, and (c) funding the premium for a reserve fund surety bond.

Of the total 2002 Tax Allocation Revenue Bonds, Series A issued, \$16,280,000 mature serially from August 1, 2003 through August 1, 2026 in annual installments ranging from \$650,000 to \$1,050,000 at interest rates of 2.25% to 4.75%. Bonds maturing on or after August 1, 2013 are subject to optional redemption, in whole, or in part among such maturities as selected by the Agency and by lot within a maturity, on or after August 1, 2012. Term bonds of \$7,940,000 bearing an interest rate of 5.00% mature on August 1, 2033 and are subject to mandatory sinking fund redemption in amounts ranging from \$465,000 to \$1,400,000 beginning August 1, 2027 and ending August 1, 2033. The bonds are secured by loan agreements from the Agency that are secured by a pledge of certain tax increment revenues.

The reserve requirement is to be met by issuance of a reserve account surety bond in the stated amount for the Merged Project Area (\$1,014,000) and Project Area No. 3 (\$490,000). At June 30, 2007, the reserve requirement was \$1,504,000. Surety bonds in the amounts of \$1,014,000 and \$490,000 were being held at June 30, 2007.

The outstanding principal balance at June 30, 2007, was \$22,185,000.

2002 Tax Allocation Revenue Bonds, Series D

In December 2002, the Cathedral City Public Financing Authority (a component unit of the City of Cathedral City) issued \$22,820,000 of 2002 Tax Allocation Revenue Bonds, Series D. The proceeds of the bonds were loaned to the City of Cathedral City Redevelopment Agency ("Agency"). The proceeds of the bonds were applied as follows: (a) to provide funds for increasing, improving, and preserving the City's supply of low- and moderate-income housing, and (b) funding the premium for a reserve account surety bond.

Of the total 2002 Tax Allocation Revenue Bonds, Series D issued, \$9,365,000 mature serially from August 1, 2003 through August 1, 2020 in annual installments ranging from \$250,000 to \$725,000 at interest rates of 3.00% to 4.75%. Bonds maturing on or after August 1, 2013 are subject to optional redemption, in whole, or in part among such maturities as selected by the Agency and by lot within a maturity, on or after August 1, 2012. Term bonds of \$5,165,000 bearing an interest rate of 5.00% mature on August 1, 2026, and are subject to mandatory sinking fund redemption in amounts ranging from \$760,000 to \$970,000 beginning August 1, 2021 and ending August 1, 2026. Term bonds of \$8,290,000 bearing an interest rate of 5.00% mature on August 1, 2033 and are subject to mandatory sinking fund redemption in amounts ranging from \$1,020,000 to \$1,365,000 beginning August 1, 2027 and ending August 1, 2033. The bonds are secured by loan agreements from the Agency that are secured by a pledge of certain tax increment revenues required to be set aside for low- and moderate-income housing purposes pursuant to redevelopment law.

The reserve requirement is an amount equal to the lesser of the maximum annual debt service, 125% of average debt service or 10% of the initial principal amount. At June 30, 2007, the reserve requirement was \$1,435,000. A reserve account surety bond for \$1,435,000 was being held at June 30, 2007.

The outstanding principal balance at June 30, 2007, was \$21,330,000.

2002 Tax Allocation Revenue Bonds, Series E

In December 2002, the Cathedral City Public Financing Authority (a component unit of the City of Cathedral City) issued \$14,350,000 of 2002 Taxable Tax Allocation Revenue Bonds, Series E. The proceeds were loaned to the City of Cathedral City Redevelopment Agency ("Agency"). The proceeds of the bonds were applied as follows: (a) to provide funds for increasing, improving, and preserving the City's supply of low and moderate-income housing, and (b) funding the premium for a reserve account surety bond.

Of the total 2002 Tax Allocation Revenue Bonds, Series E issued, \$1,240,000 mature serially from August 1, 2003 through August 1, 2008 in annual installments ranging from \$130,000 to \$235,000 at interest rates of 2.03% to 4.07%. Bonds maturing on or after August 1, 2013 are subject to optional redemption, in whole, or in part among such maturities as selected by the Agency and by lot within a maturity, on or after August 1, 2012. Term bonds of \$1,685,000 bearing an interest rate of 5.19% mature on August 1, 2014 and are subject to mandatory sinking fund redemption in amounts ranging from \$245,000 to \$320,000 beginning August 1, 2009 and ending August 1, 2014. Term bonds of \$3,320,000 bearing an interest rate of 6.11% mature on August 1, 2022 and are subject to mandatory sinking fund redemption in amounts ranging from \$335,000 to \$505,000 beginning August 1, 2015 and ending August 1, 2022. Term bonds of \$8,105,000 bearing an interest rate of 6.16% mature on August 1, 2033 and are subject to mandatory sinking fund redemption in amounts ranging from \$535,000 to \$975,000 beginning August 1, 2023 and ending August 1, 2033. The bonds are secured by a taxable loan agreement from the Agency and by a pledge of certain housing tax revenues.

The reserve requirement is an amount equal to the lesser of the maximum annual debt service, 125% of average debt service or 10% of the initial principal amount. At June 30, 2007, the reserve requirement was \$1,039,000. A reserve account surety bond for \$1,039,000 was being held at June 30, 2007.

The outstanding principal balance at June 30, 2007, was \$13,575,000.

2004 Tax Allocation Revenue Bonds, Series A and B

In December 2004, the Cathedral City Public Financing Authority (a component unit of the City of Cathedral City) issued the 2004 Tax Allocation Revenue Bonds, Series A and Series B for \$21,370,000 and \$8,630,000, respectively. Monies from

the Series A bonds were used to refund principal of \$15,625,000 of the remaining 1995 Tax Allocation Bonds, Series A, create \$4,000,000 of new project resources, and pay the cost of issuance and other associated fees. Monies from the Series B bonds were used to fund \$8,231,000 of new project resources and pay the cost of issuance and other associated fees.

Of the total 2004 Tax Allocation Revenue Bonds, Series A issued, \$8,730,000 mature serially from August 1, 2005 through August 1, 2024 in annual installments ranging from \$285,000 to \$685,000 at interest rates of 3.00% to 4.75%. Bonds maturing on or after August 1, 2015 are subject to optional redemption, in whole, or in part among such maturities as selected by the Agency and by lot within a maturity, on or after August 1, 2014. Term bonds of \$5,350,000 bearing an interest rate of 4.75% mature on August 1, 2029 and are subject to mandatory sinking fund redemption in amounts ranging from \$970,000 to \$1,175,000 beginning August 1, 2025 and ending August 1, 2029. Term bonds of \$7,290,000 bearing an interest rate of 5.125% mature on August 1, 2034 and are subject to mandatory sinking fund redemption in amounts ranging from \$1,230,000 to \$1,985,000 beginning August 1, 2030 and ending August 1, 2034. The bonds are secured by a pledge of certain tax increment revenues.

The reserve requirement is a stated amount for Project Area No. 3. At June 30, 2007, the reserve requirement was \$1,759,000. A reserve account surety bond for \$1,759,000 was being held at June 30, 2007.

The outstanding principal balance at June 30, 2007, was \$20,450,000.

Of the total 2004 Tax Allocation Revenue Bonds, Series B issued, \$705,000 mature serially from August 1, 2005 through August 1, 2008 in annual installments ranging from \$130,000 to \$300,000 at interest rates of 2.89% to 3.96%. Bonds maturing on or after August 1, 2015 are subject to optional redemption, in whole, or in part among such maturities as selected by the Agency and by lot within a maturity, on or after August 1, 2014. Term bonds of \$995,000 bearing an interest rate of 4.93% mature on August 1, 2014 and are subject to mandatory sinking fund redemption in amounts ranging from \$145,000 to \$185,000 beginning August 1, 2009 and ending August 1, 2014. Term bonds of \$1,090,000 bearing an interest rate of 5.41% mature on August 1, 2019 and are subject to mandatory sinking fund redemption in amounts ranging from \$195,000 to \$240,000 beginning August 1, 2015 and ending August 1, 2019. Term bonds of \$1,430,000 bearing an interest rate of 5.72% mature on August 1, 2024 and are subject to mandatory sinking fund redemption in

amounts ranging from \$255,000 to \$320,000 beginning August 1, 2020 and ending August 1, 2024. Term bonds of \$4,410,000 bearing an interest rate of 5.87% mature on August 1, 2034 and are subject to mandatory sinking fund redemption in amounts ranging from \$335,000 to \$565,000 beginning August 1, 2025 and ending August 1, 2034. The bonds are secured by a taxable loan agreement from the Agency and by a pledge of certain housing tax revenues.

The reserve requirement is a stated amount for Project Area No. 3. At June 30, 2007, the reserve requirement was \$598,000. A reserve account surety bond for \$598,000 was being held at June 30, 2007.

The outstanding principal balance at June 30, 2007, was \$8,200,000.

2005 Tax Allocation Revenue Bonds, Series A

In July 2005, the Cathedral City Public Financing Authority (a component unit of the City of Cathedral City) issued the 2005 Tax Allocation Revenue Bonds, Series A for \$13,000,000. Monies from the bonds were used to refund the remaining outstanding portion of the City of Cathedral City Redevelopment Agency's ("Agency") 1995 Tax Allocation Revenue Bonds, Series A issued by the Cathedral City Public Financing Authority in November 1995 for the Project Area No. 3 and the Merged Project Area. Additionally, new monies were created in the amount of \$732,000 for Project Area No. 3 and \$2,010,000 for the Merged Project Area.

Of the total 2005 Tax Allocation Revenue Bonds, Series A issued, \$10,210,000 mature serially from August 1, 2006 through August 1, 2024 in annual installments ranging from \$360,000 to \$840,000 at interest rates of 3.125% to 4.25%. Bonds maturing on or after August 1, 2014 are subject to optional redemption, in whole, or in part among such maturities as selected by the Agency and by lot within a maturity, on or after August 1, 2013. Term bonds of \$2,790,000 bearing an interest rate of 4.50% mature on August 1, 2034 and are subject to mandatory sinking fund redemption in amounts ranging from \$25,000 to \$395,000 beginning August 1, 2025 and ending August 1, 2034. The bonds are secured by a pledge of certain tax increment revenues.

The reserve requirement is a stated amount for Project Area No. 3. At June 30, 2007, the reserve requirement was \$579,000. A reserve account surety bond for \$579,000 was being held at June 30, 2007.

The outstanding principal balance at June 30, 2007, was \$12,290,000.

2007 Tax Allocation Revenue Bonds, Series A

In March 2007, the Cathedral City Public Financing Authority (a component unit of the City of Cathedral City) issued the 2007 Tax Allocation Revenue Bonds, Series A for \$29,740,000. Monies from the bonds were used to finance certain redevelopment projects of the City of Cathedral City Redevelopment Agency ("Agency"), fund the premium for a reserve fund surety bond and pay the costs of issuance.

The term bonds of \$29,740,000 bear an interest rate of 4.50% and mature on August 1, 2035. Bonds maturing on or after August 1, 2018 are subject to optional redemption, in whole, or in part among such maturities as selected by the Agency and by lot within a maturity, on or after August 1, 2017. The bonds are subject to mandatory sinking fund redemption in amounts ranging from \$2,560,000 to \$10,135,000 beginning August 1, 2031 and ending August 1, 2035. The bonds are secured by a pledge of certain tax increment revenues.

The reserve requirement is a stated amount. At June 30, 2007, the reserve requirement was \$1,700,000. A reserve account surety bond for \$1,700,000 was being held at June 30, 2007.

The outstanding principal balance at June 30, 2007, was \$29,740,000.

2007 Taxable Tax Allocation Revenue Bonds, Series B

In March 2007, the Cathedral City Public Financing Authority (a component unit of the City of Cathedral City) issued the 2007 Taxable Tax Allocation Revenue Bonds, Series B for \$53,400,000. Monies from the bonds were used to finance certain redevelopment projects of the City of Cathedral City Redevelopment Agency ("Agency"), fund the premium for a reserve fund surety bond and pay the costs of issuance.

Of the total 2007 Taxable Tax Allocation Revenue Bonds, Series B, issued, term bonds of \$15,425,000 bear an interest rate of 5.14% and mature on August 1, 2017. The bonds are subject to mandatory sinking fund redemption in amounts ranging from \$1,215,000 to \$1,915,000 beginning August 1, 2008 and ending August 1, 2017. Term bonds of \$37,975,000 bear an interest rate of 5.39% and mature on

August 1, 2031. The bonds are subject to mandatory sinking fund redemption in amounts ranging from \$1,425,000 to \$3,780,000 beginning August 1, 2018 and ending August 1, 2031. Bonds maturing on or after August 1, 2018 are subject to optional redemption, in whole, or in part among such maturities as selected by the Agency and by lot within a maturity, on or after August 1, 2017. The bonds are secured by a pledge of certain tax increment revenues.

The reserve requirement is a stated amount. At June 30, 2007, the reserve requirement was \$3,053,000. A reserve account surety bond for \$3,053,000 was being held at June 30, 2007.

The outstanding principal balance of the bonds on June 30, 2007, was \$53,400,000.

2007 Subordinate Tax Allocation Revenue Bonds, Series C

In March 2007, the Cathedral City Public Financing Authority (a component unit of the City of Cathedral City) issued the 2007 Subordinate Tax Allocation Revenue Bonds, Series C for \$31,860,000. Monies from the bonds were used to finance certain redevelopment projects of the City of Cathedral City Redevelopment Agency ("Agency"), fund the premium for a reserve fund surety bond and pay the costs of issuance.

Of the total 2007 Subordinate Tax Allocation Revenue Bonds, Series C issued, \$14,995,000 mature serially from August 1, 2010 through August 1, 2025 in annual installments ranging from \$670,000 to \$1,285,000 at interest rates of 4.00% to 5.00%. Bonds maturing on or after August 1, 2016 are subject to optional redemption, in whole, or in part among such maturities as selected by the Agency and by lot within a maturity, on or after August 1, 2015. Term bonds of \$7,450,000 bearing an interest rate of 5.00% mature on August 1, 2030 and are subject to mandatory sinking fund redemption in amounts ranging from \$1,345,000 to \$1,640,000 beginning August 1, 2026 and ending August 1, 2030. Term bonds of \$9,415,000 bearing an interest rate of 4.50% mature on August 1, 2035 and are subject to mandatory sinking fund redemption in amounts ranging from \$1,720,000 to \$2,055,000 beginning August 1, 2031 and ending August 1, 2035. The bonds are secured by a pledge of certain tax increment revenues.

The reserve was to be funded with a portion of the proceeds of the Series C bonds (\$2,149,000). The reserve account balance at June 30, 2007, was \$2,167,000.

The outstanding principal balance of the bonds on June 30, 2007, was \$31,860,000.

The annual debt service requirements to amortize the tax allocation revenue bonds as of June 30, 2007, are as follows (amounts in thousands):

Governmental Activities:

Year Ending June 30	Tax Allocation Bonds	
	Principal	Interest
2008	\$ 2,395	9,982
2009	3,690	10,756
2010	3,845	10,596
2011	4,690	10,407
2012	4,905	10,195
2013 - 2017	28,050	47,347
2018 - 2022	35,410	39,745
2023 - 2027	41,718	33,695
2028 - 2032	52,030	22,709
2033 - 2036	48,413	5,877
	<u>\$ 225,146</u>	<u>201,309</u>

Revenue bonds payable

In December 2004, the Cathedral City Public Financing Authority ("Authority") (a component unit of the City of Cathedral City) issued 2004 Series A (Limited Obligation) Local Agency Revenue Bonds in the amount of \$15,525,000. The proceeds were used to: (1) purchase the entire outstanding Limited Obligation Refunding Improvement Bonds City of Cathedral City Assessment District 96-1 (Rio Vista) Series 2004, which were issued concurrently with the bonds; (2) refund the Authority's 1996 Series A and Series B Revenue Bonds, which had originally purchased the City of Cathedral City's Limited Obligation Refunding Bonds (Property Secured Only – No Issuer Liability, City of Cathedral City, District Nos. 85-1, 86-1, 86-5, 88-2 and 88-3; (3) fund a reserve account; and (4) pay the costs of issuance.

Of the total 2004 Series A (Limited Obligation) Local Agency Revenue Bonds issued, \$14,850,000 mature serially from September 2, 2005 through September 2, 2014 in annual installments ranging from \$180,000 to \$2,215,000 at interest rates from 3.00% to 4.25%. Term bonds of \$675,000 bearing an interest rate of 5.30% mature on September 2, 2026. The bonds are subject to optional redemption at the option of the Authority from any funds, in whole, or in part among maturities as determined by the

Authority on any interest payment date. The bonds are subject to mandatory redemption from any amounts received by the Trustee from a redemption of the bonds as a result of landowner prepayment of assessments. The bonds are also subject to mandatory sinking fund redemption in amounts ranging from \$330,000 to \$345,000 beginning September 2, 2025 and ending September 2, 2026.

The outstanding principal balance at June 30, 2007, was \$11,220,000.

The annual debt service requirements to amortize the revenue bonds as of June 30, 2007, are as follows (amounts in thousands):

Governmental Activities:

Year Ending June 30	Revenue Bonds	
	Principal	Interest
2008	\$ 2,150	396
2009	2,215	331
2010	1,230	275
2011	1,000	234
2012	850	199
2013 - 2017	985	815
2018 - 2022	1,230	564
2023 - 2027	1,560	214
	<u>\$ 11,220</u>	<u>3,028</u>

NOTE 7 – CAPITAL LEASES

In September 2001, the City entered into a long-term lease arrangement with LaSalle Bank National Association to purchase a fire truck pumper for \$489,000. The lease has a term of five years, an interest rate of 4.760%, and annual payments of \$90,000. The lease was paid in full during the fiscal year ended June 30, 2007.

In September 2003, the City entered into a long-term lease arrangement with Kansas State Bank of Manhattan to purchase a fire department defibrillator for \$80,000. The lease has a term of five years and annual payments of \$16,000. The lease was paid in full during the fiscal year ended June 30, 2007.

On September 23, 2004, the City entered into a Master Lease Agreement with Sun Trust Leasing Corporation for the purpose of facilitating equipment lease/purchase/financing. Under the Master Lease Agreement, the City can enter into special equipment schedules for the purchase of necessary equipment or improvements. Upon payment completion of any equipment lease (financing), the equipment contained therein shall become the property of the City without further payment.

- Equipment Schedule 001 was initiated on September 23, 2004 for \$2,754,000 for the financing of an energy savings project to install building lighting, traffic LED, solar electric panels and window tinting with Honeywell. The outstanding balance at June 30, 2007, was \$1,425,000.
- Equipment Schedule 002 was initiated on December 13, 2004 for \$160,000 for the financing of one ambulance. The lease has a term of three years, an interest rate of 4.03%, and annual payments of \$76,000. The outstanding balance at June 30, 2007, was \$3,000.
- Equipment Schedule 003 was initiated on January 26, 2006 for \$215,000 for the financing of two ambulances, including radios. The lease has a term of three years, an interest rate of 4.03%, and annual payments of \$76,000. The outstanding balance at June 30, 2007, was \$72,000.

The assets acquired through capital leases are as follows (amounts in thousands):

Governmental activities:	
Vehicles	\$ 375
Less: Accumulated depreciation	(76)
Total governmental activities	<u>\$ 299</u>

The amount of future minimum lease payments as of June 30, 2007, is as follows (amounts in thousands):

Year Ending June 30	Principal	Interest
2008	\$ 195	62
2009	124	54
2010	130	48
2011	135	43
2012	140	38
2013 - 2017	<u>776</u>	<u>96</u>
Total	<u>\$ 1,500</u>	<u>341</u>

NOTE 8 – LONG-TERM LOANS AND NOTES PAYABLE

Long-term loans

The Cathedral City Redevelopment Agency's Low and Moderate Income Housing Department entered into a loan agreement with the California Housing Finance Agency on February 24, 2004, with a total principal amount available of \$500,000. The term of the loan is 10 years from the date of the agreement and bears a simple interest rate of 3% per annum, to be charged only on the funds disbursed. Repayment is deferred for the term of the Housing Enabled by Local Partnerships (HELP) Loan. The total principal balance due at June 30, 2007 is \$500,000. No payment is due on the loan until February 24, 2014.

In July 2002, the City of Cathedral City and the Cathedral City Redevelopment Agency assumed a mortgage loan of \$49,000 on a property located within the redevelopment area. The note is secured by the property, and is due in monthly installments of \$500, including interest at an annual rate of 8.25%. The balance of the loan, including interest, was paid in full during the fiscal year ended June 30, 2007.

Notes payable

On December 29, 1986, the Cathedral City Redevelopment Agency (a component unit of the City of Cathedral City) ("Agency") issued a promissory note to CJR Investment Partnership in the sum of \$2,788,000 for the balance of the purchase price in acquiring approximately eleven acres of real property located in Project Area No. 2 (Merged Project Area). Interest on the note accrues upon the opening of the facility developed on the property, which was October 27, 1987, at a floating

rate equal to two percent per annum over the Wells Fargo Bank prime rate compounded annually. The note will be repaid by the Agency using any increases in the property tax increment derived from increases in the assessed value of the property and any other legally available sources of revenue. Repayments on the note will be in amounts equal to 70% of the sales and use tax revenues derived from business activities conducted upon the site and received by the City of Cathedral City. On November 22, 2027, any unpaid principal and interest owed by the Agency will be forgiven. Interest of \$760,000 was accrued for the year ended June 30, 2007. The outstanding balance, which includes accrued interest at June 30, 2007, was \$7,956,000. There is no fixed repayment schedule for the amounts owed under the promissory note.

On September 24, 2001, the City entered into two note agreements with Plaza Motors, Inc. in the amount of \$132,000 and \$1,000,000 for the purpose of the City's obligation for rain run off and flood control improvement on the site, and site improvements, respectively. Payment terms on the \$132,000 note are based on the sales tax revenues of the Plaza Motors, Inc. auto dealership. The note accrues annual interest at 12%. Payment terms of the \$1,000,000 note are based on 100% of the first \$200,000 in sales tax revenues from the auto dealership after the \$132,000 note has been paid in full and 50% of any remaining sales tax until the note is paid in full. The note does not bear interest. The note is collateralized by the sales tax receipts. The combined interest rate is 1.3%. The balance of the note, including interest, was paid in full during the fiscal year ended June 30, 2007.

NOTE 9 – PENSION PLAN

Safety Employees

Plan description

The City's defined benefit pension plans, the Safety Plans for the City of Cathedral City, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Safety Plans are part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), a cost sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu

by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, CA 95814.

The City of Cathedral City participates in risk pooling, which consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members.

Funding policy

Participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007 was 21.187% for safety (police) and 11.598% for safety (fire). The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Employer required contribution

For fiscal year 2007, the City's actual and contributed employer required contribution was \$1,407,000. The required contribution for the fiscal year 2007 was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay.

Three-year trend information for the Safety Plans (amounts in thousands):

<u>Safety Employees (Police)</u>		
<u>Fiscal Year</u>	<u>Employer Required Contribution (ERC)</u>	<u>Percentage of ERC Contributed</u>
6/30/05	\$ 595	100%
6/30/06	898	100%
6/30/07	1,022	100%

Safety Employees (Fire)

<u>Fiscal Year</u>	<u>Employer Required Contribution (ERC)</u>	<u>Percentage of ERC Contributed</u>
6/30/05	\$331	100%
6/30/06	320	100%
6/30/07	385	100%

Miscellaneous Employees**Plan description**

The City's defined benefit pension plan, the Miscellaneous Plan for the City of Cathedral City, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding policy

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007 was 11.267% for miscellaneous employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual pension cost

For fiscal year 2007, the City's actual and contributed annual pension cost was \$748,000. The required contribution for fiscal year 2007 was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary growth ranging from 3.25% to 14.45% based on years of service, (c) an overall payroll growth of 3.25%, and (d) a 3.0% inflation factor. The actuarial value of the Miscellaneous Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a 15-year period depending on the size of investment gains and/or losses. The Miscellaneous Plan's unfunded actuarial excess assets are being amortized at a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2006, was twenty-six years.

Three-year trend information for the Miscellaneous Plans (amounts in thousands):

Miscellaneous Employees

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$459	100%	-
6/30/06	696	100%	-
6/30/07	748	100%	-

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS

In addition to the retirement plan described in Note 9, the City provides a post-employment retiree insurance program for all regular employees taking a qualified retirement under the PERS system. Employees who elect within two months after retirement to participate in such group health insurance policies (medical, dental and vision) as are provided by the City, must be eligible for, and will receive the corresponding benefits associated with, the bargaining unit to which they belong.

The City finances these post-employment benefits on a pay-as-you-go basis. As of June 30, 2007, there were 40 retirees eligible to receive monthly retiree insurance

benefits. For the fiscal year ended June 30, 2007, \$370,000 of post-employment insurance benefit expenditures was recognized.

NOTE 11 – SELF-INSURANCE PROGRAM

The City is a member of the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of twenty-six participating member agencies with equal governing and no management authority. The City of Cathedral City joined PERMA on July 25, 1985, for the purpose of long-term premium stability. The City participates in the employer's liability coverage and the worker's compensation coverage programs of PERMA.

PERMA's liability program provides coverage up to \$25 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City has selected self-insurance of \$250,000 and participates in risk sharing pools for losses up to \$5 million per occurrence, limited to \$10 million.

PERMA's workers' compensation program provides up to \$50 million per accident for workers' compensation and up to \$10 million each accident for employer's liability. The City's self-insurance limit under workers' compensation is \$250,000 per accident or employee with coverage to statutory limits.

Estimates for all workers' compensation and general liabilities, up to the self-insured levels, are recorded in an internal service fund. Claims payable for the self-insurance liability, including a provision for incurred but not reported claims, was \$2,208,000 at June 30, 2007. Settled claims from general liability and workers' compensation risks have not exceeded commercial insurance coverage for the past three years.

Changes in claims liabilities for the past two years are as follows (amounts in thousands):

	Beginning Balance	Claims Incurred/ Changes In Estimates ¹	Claims Payments	Other	Ending Balance
2005 - 06	\$ 3,128	443	(752)	(71)	2,748
2006 - 07	2,748	352	(488)	(404)	2,208

¹ Claims incurred during the year are not specifically reported by PERMA. As a result, the claims incurred and changes in estimates amounts have been combined.

NOTE 12 – CONTINGENT LIABILITIES

The City is a defendant in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City.

NOTE 13 – LOAN GUARANTEES/COMMITMENTS

On April 23, 2003, the City of Cathedral City Redevelopment Agency (the "Agency") agreed to guaranty monthly loan payments in favor of Royal Indemnity Company on behalf of Palm Canyon Partners, LLC (the "Landlord") in the amount of up to \$100,000 per month. These payments are funded by rent payments made by the tenant, North American Cinema, Inc. (NACI), to the Agency for a 14-screen multiplex theater that opened in 2001.

In June 2005, Palm Canyon Partners, LLC sold the property to MPT 1 Investors, LLC and MPT 2 Investors, LLC (the "Landlords") as tenants in common. On July 5, 2005, a new lease guaranty was signed in favor of IXIS Real Estate Capital, Inc. under the same terms as the previous lease guaranty. Subsequent to fiscal year end, the landlords and the Agency were in the process of amending the loan guaranty to change the lender from IXIS Real Estate Capital, Inc. to LaSalle Bank National Association.

As of June 30, 2007, there were 108 payments remaining on the loan for a total obligation of up to \$10,781,000 guaranteed by the Agency. Payments made by the

Agency on the loan guaranty exceeded the rent payments received from NACI by \$290,000 for the fiscal year ended June 30, 2007.

NOTE 14 – ASSESSMENT DISTRICT BOND ISSUES

Assessment District No. 2001-01

In May 2001, the City of Cathedral City issued \$3,085,000 of Limited Obligation Improvement Bonds to finance the acquisition and construction of improvements consisting of street improvements, sidewalks, striping, street lights and related work, perimeter landscaping of direct special benefits to the properties within the District, and related administrative, legal, financing, and engineering costs. The bonds were issued as fully registered bonds in denominations of \$5,000 and one bond in an odd amount, each with principal due annually on September 2 in amounts ranging from \$15,000 to \$235,000 through September 2, 2026. Interest is payable semi-annually on March 2 and September 2, at interest rates ranging from 5.7% to 6.5%. The outstanding principal balance at June 30, 2007 was \$2,800,000.

Under the provisions of the Improvement Bond Act of 1915, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. The City is not directly liable for repayment of the bonds except to the extent that the City has covenanted to institute foreclosure proceedings in the event of delinquent installment. However, the City has a limited liability to advance funds to the Redemption Fund in the event of delinquent installments, which shall not exceed the balance in the Reserve Fund. Under the terms of the issue, \$253,000 must be set aside in reserve funds, which represents the maximum annual debt service payment due on the bonds. At June 30, 2007, the actual amount held in reserve funds was \$256,000.

Community Facilities District No. 2000-1

In November 2000, the City of Cathedral City issued \$12,230,000 of Community Facilities District Bonds to finance certain public infrastructure to include storm drain improvements, sanitary sewer systems, water system, landscaping and street improvements including paving, curbing and the installation of gutters, sidewalks and signage of direct special benefits to the properties within the District, commonly known as Rio Vista Village. The bonds were issued as fully registered bonds in denominations of \$5,000 with the first principal maturity in September 2004 and final maturity in September 2030. Interest rates

range from 4.75% to 6.7%. The outstanding principal balance at June 30, 2007 was \$12,155,000.

The District was formed and established by the City on January 12, 2000, pursuant to the Mello-Roos Community Facilities Act of 1982 (“Act”), as amended (Sections 53311 of the Government Code of the State of California). Under provisions of the Act, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. The City is not directly liable for repayment of the bonds except to the extent that the City has covenanted to institute foreclosure proceeding under certain circumstances. The City has pledged to repay the bonds from the special tax revenues and amounts on deposit in the Bond Payment Fund and the Reserve Fund. The Reserve Fund at inception was \$1,223,000. The Reserve Fund balance as of June 30, 2007, was \$1,233,000.

Assessment District No. 2003-01

In August 2004, the City of Cathedral City issued \$6,672,000 of Limited Obligation Improvement Bonds to finance the acquisition and construction of improvements consisting of street and sewer improvements of direct special benefits to the properties within the District, and related administrative, legal, financing and engineering costs. The bonds were issued as fully registered bonds with interest rates ranging from 2.2% to 5.7% with the final bonds maturing in 2022. The outstanding principal balance at June 30, 2007, was \$6,165,000.

The bonds are Limited Obligation Improvement Bonds and are secured solely by the assessments and the amounts in the Redemption Fund and the Reserve Fund. The bonds are not secured by the general taxing power of the City, the County, the State or any Political Subdivision of the State. Neither the faith and credit nor the taxing power of the City, County, State, or Political Subdivision is pledged for the payment of the bonds. Under provisions of the Improvement Bond Act of 1915, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. These annual assessment installments are to be paid into the Redemption Fund, to be held by the Fiscal Agent and used to pay debt service on the bonds as it becomes due. The City will establish a Reserve Fund with a portion of the proceeds of the bonds being held by the Fiscal Agent. Amounts in the Reserve Fund will be transferred to the Redemption Fund to the extent of delinquencies in the payment of the assessment installments. The Reserve Fund will be maintained from available assessment

payments in an amount equal to the reserve requirement. The Reserve Fund balance as of June 30, 2007, is \$457,000.

Assessment District No. 2004-01

In September 2004, the City of Cathedral City issued \$5,978,000 of Limited Obligation Improvement Bonds to finance the acquisition and construction of improvements consisting of street and sewer improvements of direct special benefits to the properties within the District, and related administrative, legal, financing and engineering costs. The bonds were issued as fully registered bonds with interest rates ranging from 1.85% to 5.95% with the final bonds maturing in 2034. The outstanding principal balance at June 30, 2007, was \$5,690,000.

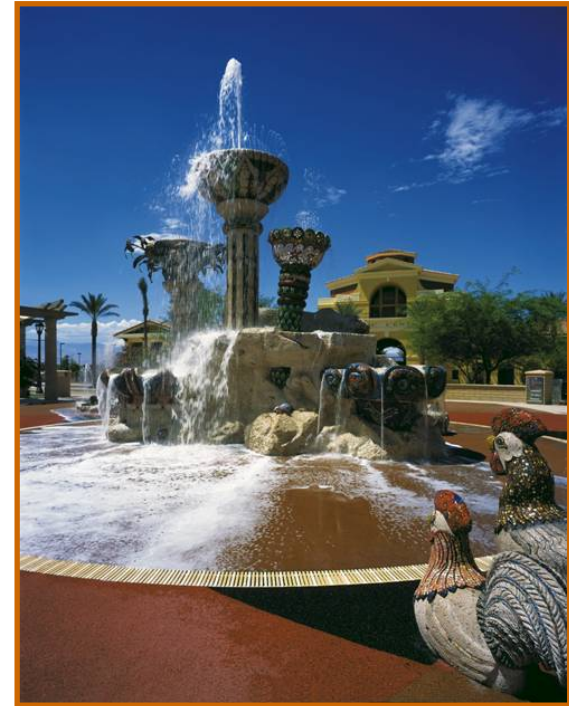
The bonds are Limited Obligation Improvement Bonds and are secured solely by the assessments and the amounts in the Redemption Fund and the Reserve Fund. The bonds are not secured by the general taxing power of the City, the County, the State or any Political Subdivision of the State. Neither the faith and credit nor the taxing power of the City, County, State, or Political Subdivision is pledged for the payment of the bonds. Under provisions of the Improvement Bond Act of 1915, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. These annual assessment installments are to be paid into the Redemption Fund, to be held by the Fiscal Agent and used to pay debt service on the bonds as it becomes due. The City will establish a Reserve Fund with a portion of the proceeds of the bonds being held by the Fiscal Agent. Amounts in the Reserve Fund will be transferred to the Redemption Fund to the extent of delinquencies in the payment of the assessment installments. The Reserve Fund will be maintained from available assessment payments, in an amount equal to the reserve requirement. The Reserve Fund balance as of June 30, 2007, is \$425,000.

Cove Improvement District No. 2004-02

In August 2005, the City of Cathedral City issued \$33,847,000 of Limited Obligation Improvement Bonds to finance the acquisition and construction of improvements consisting of street and sewer improvements of direct special benefits to the properties within the District, and related administrative, legal, financing and engineering costs. The bonds were issued as fully registered bonds with interest rates ranging from 2.85% to 5.0% with the final bonds maturing in 2025. The outstanding principal balance at June 30, 2007, was \$33,080,000.

The bonds are Limited Obligation Improvement Bonds and are secured solely by the assessments and the amounts in the Redemption Fund and the Reserve Fund. The bonds are not secured by the general taxing power of the City, the County, the State or any Political Subdivision of the State. Neither the faith and credit nor the taxing power of the City, County, State, or Political Subdivision is pledged for the payment of the bonds. Under provisions of the Improvement Bond Act of 1915, installments equal to the annual debt service are to be included on the tax bills sent to owners of property in which unpaid assessments exist. These annual assessment installments are to be paid into the Redemption Fund, to be held by the Fiscal Agent and used to pay debt service on the bonds as it becomes due. The City established a Reserve Fund with a portion of the proceeds of the bonds being held by the Fiscal Agent. Amounts in the Reserve Fund will be transferred to the Redemption Fund to the extent of delinquencies in the payment of the assessment installments. The Reserve Fund will be maintained from available assessment payments, in an amount equal to the reserve requirement. The Reserve Fund balance as of June 30, 2007, is \$2,244,000.

Required Supplementary Information



PERS Schedule of Funding Progress**June 30, 2007** (In thousands)

	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B) - (A)	Funded Ratio (A) / (B)	Covered Payroll (C)	UAAL as a % of Covered Payroll [(B) - (A)] / (C)
June 30, 2004						
Miscellaneous	\$ 13,568	16,099	2,531	84.3%	5,027	50.3%
June 30, 2005						
Miscellaneous	15,162	17,783	2,621	85.3%	5,392	48.6%
June 30, 2006						
Miscellaneous	17,104	19,569	2,465	87.4%	5,698	43.3%

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund
Year ended June 30, 2007 (In thousands)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Taxes	\$ 18,930	18,930	17,869	(1,061)
Intergovernmental	86	86	65	(21)
Licenses and permits	2,196	2,196	1,148	(1,048)
Fines and forfeitures	10	10	14	4
Charges for services	3,893	3,893	4,252	359
Interest	650	650	1,058	408
Miscellaneous	720	720	792	72
Total revenues	26,485	26,485	25,198	(1,287)
Expenditures				
Current:				
General government	9,141	8,968	8,433	(535)
Public safety	18,213	18,467	18,420	(47)
Public works	1,208	1,210	1,372	162
Payments under pass-through agreements	452	452	-	(452)
Capital outlay	975	908	685	(223)
Total expenditures	29,989	30,005	28,910	(1,095)
Excess (deficiency) of revenues over (under) expenditures	(3,504)	(3,520)	(3,712)	(192)
Other financing sources (uses)				
Transfers in	2,284	2,284	4,863	2,579
Transfers out	(1,730)	(1,730)	(1,727)	3
Gain on sale of capital assets	-	-	2,896	2,896
Total other financing sources (uses)	554	554	6,032	5,478
Net change in fund balance	(2,950)	(2,966)	2,320	5,286
Fund balance (deficit), beginning	18,891	18,891	18,891	-
Fund balance (deficit), ending	\$ 15,941	15,925	21,211	5,286

See note to required supplementary information.

Note to Required Supplementary Information

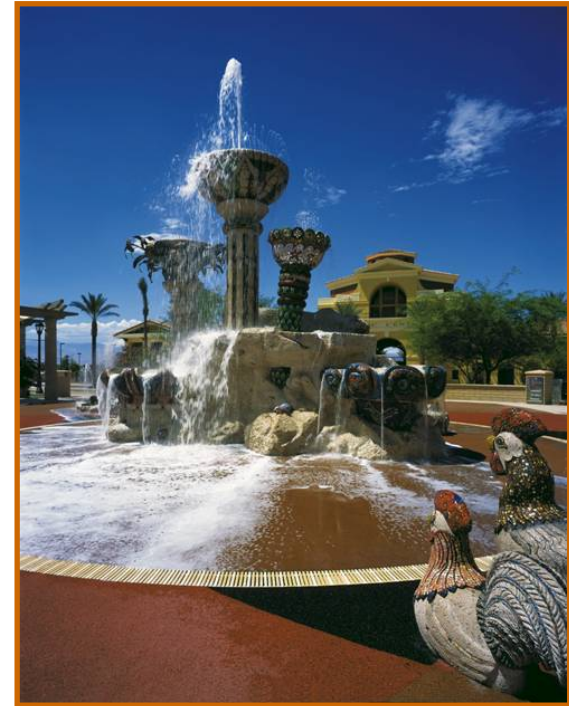
NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

The City of Cathedral City adopts a two-year budget prepared on the modified accrual basis of accounting for the general fund and certain special revenue funds. Special revenue funds for which budgets are not adopted are: Master Underground Plan, Developer Fees, TDA SB821, NPDES Program, Traffic Safety, Community Development Block Grant, State Asset Forfeiture Program, Police Grant, Telecommunications Equipment, Landscape and Lighting District, Special Deposits and Transfer Station Road.

The City Manager and Administrative Services Director prepare and submit the two-year budget to City Council for approval prior to the end of the two-year period and then administer it after adoption. The two-year period starts on July 1 of each even-numbered year. Annual appropriation limits are approved by City Council prior to the beginning of each year of the two-year budget period. All appropriations lapse at year-end.

The City Manager and Administrative Services Director are authorized to adjust appropriations between each department or activity, provided that the total appropriations for each department or activity do not exceed the amounts approved in the budget for any amending resolutions. Management can make transfers between departments as long as expenditures do not exceed appropriations at the fund level. Transfers of cash or unappropriated fund balance from one fund to another can only be made with City Council's approval. Unexpended appropriations for authorized, but uncompleted projects in the capital improvements budget can be carried forward to the next succeeding budget upon approval of the City Manager or the Administrative Services Director. For each fund, total expenditures, may not legally exceed total appropriations. During the year, several supplementary appropriations were necessary. Individual amendments were not material in relation to the original appropriations.

Nonmajor Governmental Funds



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS – Special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Low and Moderate Income Housing – Accounts for low and moderate income housing expenditures for the Redevelopment Agency and 20% set aside of property tax increment revenues collected by the County of Riverside.

Master Underground Plan – Accounts for the cost of burying above ground utility lines. Financing is provided by a fee charged to developers.

Developer Fees – Accounts for revenue and expenditures for various developer fees imposed by the City and reserved for specific projects as designated by the individual fee approved by the City Council. Financing is provided by fees charged to developers.

TDA SB821 – Accounts for the revenue and expenditures under the Transportation Development Act (TDA) Article 3 Riverside County Transportation Commission (RCTC) approved projects. Projects are funded by the RCTC.

National Pollutant Discharge Elimination System (NPDES) Program – Accounts for the funds received from the County of Riverside for compliance with the requirements of the Federal Clean Water Act regarding stormwater discharge.

Traffic Safety – Accounts for traffic safety signal installation, maintenance, and road repairs. Financing is provided by vehicle code fines collected by the County of Riverside.

Community Development Block Grant – Accounts for capital projects designated in the grant. Financing is provided by the County of Riverside's Department of Housing and Community Development, which is a U.S. Department of Housing and Urban Development grant recipient.

State Gas Tax – Accounts for street improvement and engineering costs. Financing is provided by the City's allocation of the state gasoline taxes.

Air Quality Improvement – Accounts for revenues received under AB 2766. Expenditures are restricted to being used for air pollution reduction.

Solid Waste – Accounts for revenues received under AB 939. Expenditures are limited to programs that initiate recycling efforts throughout the City.

State Asset Forfeiture Program – Accounts for expenditures incurred in narcotics interdiction efforts. Financing is provided by seized assets awarded by the court.

Police Grant – Accounts for expenditures related to state and federal grants for the City's Police Department.

(continued)

NONMAJOR GOVERNMENTAL FUNDS(continued)

SPECIAL REVENUE FUNDS, (continued)

Police Donations – Accounts for receipts collected that are restricted for expenditures related to the City’s Police Department projects.

Fire Donations – Accounts for receipts collected that are restricted for expenditures related to the City’s Fire Department projects.

Telecommunications Equipment – Accounts for receipts collected that are restricted for expenditures on telecommunications equipment.

Landscape and Lighting District – Accounts for special assessments levied on real property and expenditures to provide landscaping and street lighting maintenance for certain districts formed within the City.

Measure A – Accounts for revenues provided by the County of Riverside Measure A. These funds are used for street improvements and engineering costs.

Special Deposits – Accounts for deposits held by the City for others. Such deposits include utility deposits, fringe-toed lizard fees, and Riverside County Superintendent of Schools.

Transfer Station Road – Accounts for revenues collected by the County of Riverside as a City mitigation fee. Funds are to be used for road construction and maintenance of roadways to access the Edom Hill Transfer Station and various signalization requirements. Any excess funds are to be used for any streets or public services within the City.

DEBT SERVICE FUNDS – Debt service funds are used primarily to account for the accumulation of resources for the payment of principal and interest on long-term debt of the City and the Redevelopment Agency.

Redevelopment Agency Area 1 – Account for principal and interest payments on long-term debt of the City’s Redevelopment Agency.

Redevelopment Agency Area 2 – Account for principal and interest payments on long-term debt of the City’s Redevelopment Agency.

Big League Dreams – Accounts for the loan to construct Big League Dreams and the payment of principal and interest.

2002 D Housing Bonds – Accounts for principal and interest payments on the 2002 Tax Allocation Bonds, Series D.

2002 E Housing Bonds – Accounts for principal and interest payments on the 2002 Tax Allocation Bonds, Series E.

(continued)

NONMAJOR GOVERNMENTAL FUNDS

(continued)

CAPITAL PROJECTS FUNDS – Capital projects funds account for the financial resources to be used for the acquisition, construction, or improvements of major capital facilities and infrastructure.

Redevelopment Agency Administration – Accounts for administrative costs related to the City’s Redevelopment Agency.

Redevelopment Agency Area 1 – Accounts for the acquisition, improvement, and rehabilitation of property within the 2006 Merged Redevelopment Project Area (formerly the Merged Project Area (Nos. 1 and 2) and Project Area 1).

Redevelopment Agency Area 2 – Accounts for the acquisition, improvement, and rehabilitation of property within the 2006 Merged Redevelopment Project Area (formerly the Merged Project Area (Nos. 1 and 2) and Project Area 2).

Redevelopment Agency Area 3 – Accounts for the acquisition, improvement, and rehabilitation of property within the 2006 Merged Redevelopment Project Area (formerly Project Area 3).

2002 D Housing Bond – Accounts for financial resources to be used for development projects within the City.

2002 E Housing Bond – Accounts for financial resources to be used for development projects within the City.

2004 TAB A – Accounts for reimbursement to the Merged Project Area for development of a hotel/golf course, reimbursement to the general fund for soft costs, and for miscellaneous capital improvements.

2004 TAB B – Accounts for loans to the developer for the hotel/golf course development.

2005 TAB A MPA – Accounts for miscellaneous capital improvements in the Merged Project Area (MPA) and Area 3.

2005 TAB A PA3 – Accounts for miscellaneous capital improvements in Project Area 3 (PA3).

Police and Fire Facilities – Accounts for the purchase of police and fire land, buildings, and replacement equipment. Financing is provided by developers’ fees.

Traffic Signalization – Accounts for the installation of traffic signals. Financing is provided by developers’ fees.

Assessment District 85-1 – Accounts for curbs, gutters, and sewer construction within Assessment District 85-1. Financing is provided from the Limited Obligation Improvement Bonds issued.

(continued)

NONMAJOR GOVERNMENTAL FUNDS

(continued)

CAPITAL PROJECTS FUNDS, (continued)

Assessment District 86-1 – Accounts for certain street, water, and sewer improvements within Assessment District 86-1. Financing is provided from the Limited Obligation Improvement Bonds issued.

Assessment District 86-5 – Accounts for certain street, water, and sewer improvements within Assessment District 86-5. Financing is provided from the Limited Obligation Improvement Bonds issued.

Assessment District 87-2 – Accounts for certain street, water, and sewer improvements within Assessment District 87-2. Financing is provided from the Limited Obligation Improvement Bonds issued.

Assessment District 88-2 – Accounts for improvements within Assessment District 88-2. Financing is provided from the Limited Obligation Improvement Bonds issued.

Assessment District 88-3 – Accounts for improvements within Assessment District 88-3. Financing is provided from the Limited Obligation Improvement Bonds issued.

Assessment District 2001-01 – Accounts for improvements within Assessment District 2001-01. Financing is provided from the Limited Obligation Improvement Bonds issued.

CFD Rio Vista – Accounts for improvements within the Rio Vista Community Facilities District. Financing is provided by contributions from property owners.

Assessment District 03-01 – Accounts for improvements within Assessment District 03-01. Financing is provided from the Limited Obligation Improvement Bonds issued.

Assessment District 04-01 – Accounts for improvements within Assessment District 04-01. Financing is provided from the Limited Obligation Improvement Bonds issued.

Assessment District 04-02 – Accounts for improvements within Improvement District 04-02. Financing is provided by proceeds from the issuance of obligation improvement bonds.

2007 TAB A – Accounts for miscellaneous capital improvements within the 2006 Merged Redevelopment Project Area funded by the 2007 Tax Allocation Bonds, Series A.

Combining Balance Sheet
Nonmajor Governmental Funds by Fund Type
June 30, 2007 (In thousands)

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 15,236	5,125	39,121	59,482
Cash and investments with fiscal agent	-	593	39,403	39,996
Interest receivable	159	54	376	589
Accounts receivable	812	522	634	1,968
Loans receivable	912	3,926	5,951	10,789
Land held for resale	7,061	-	25,436	32,497
Deposits	-	-	380	380
Total assets	<u>\$ 24,180</u>	<u>10,220</u>	<u>111,301</u>	<u>145,701</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 237	-	1,159	1,396
Accrued liabilities	42	-	19	61
Intergovernmental payable	15	-	-	15
Other payables	4	-	-	4
Deposits	760	-	13	773
Due to other funds	822	-	-	822
Deferred revenue	372	-	248	620
Total liabilities	<u>2,252</u>	<u>-</u>	<u>1,439</u>	<u>3,691</u>
Fund balances:				
Reserved:				
Debt service	-	6,294	-	6,294
Deposits	-	-	380	380
Land held for resale	7,061	-	25,436	32,497
Loans receivable	912	3,926	5,951	10,789
Unreserved	13,955	-	78,095	92,050
Total fund balances	<u>21,928</u>	<u>10,220</u>	<u>109,862</u>	<u>142,010</u>
Total liabilities and fund balances	<u>\$ 24,180</u>	<u>10,220</u>	<u>111,301</u>	<u>145,701</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds by Fund Type
Year ended June 30, 2007 (In thousands)

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 5,554	5,965	-	11,519
Intergovernmental	4,206	-	-	4,206
Licenses and permits	44	-	-	44
Fines and forfeitures	395	-	-	395
Charges for services	860	-	280	1,140
Interest	642	618	3,437	4,697
Gain on sale of land held for resale	-	-	90	90
Miscellaneous	1,085	26	521	1,632
Total revenues	12,786	6,609	4,328	23,723
Expenditures				
Current:				
General government	594	96	1,470	2,160
Community development	1,126	-	3,195	4,321
Public safety	746	-	-	746
Public works	1,485	-	-	1,485
Payments under pass-through agreements	-	386	-	386
Capital outlay	3,300	-	16,161	19,461
Loss on sale of land held for resale	-	-	86	86
Debt service:				
Principal	47	100	-	147
Interest	4	472	-	476
Total expenditures	7,302	1,054	20,912	29,268
Excess (deficiency) of revenues over (under) expenditures	5,484	5,555	(16,584)	(5,545)
Other financing sources (uses)				
Transfers in	127	2,459	35,432	38,018
Transfers out	(4,457)	(6,595)	(11,569)	(22,621)
Total other financing sources (uses)	(4,330)	(4,136)	23,863	15,397
Net change in fund balances	1,154	1,419	7,279	9,852
Fund balances, beginning	20,774	8,801	102,583	132,158
Fund balances, ending	\$ 21,928	10,220	109,862	142,010

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2007 (In thousands)

	Low and Moderate Income Housing	Master Underground Plan	Developer Fees	TDA SB821	NPDES Program	Traffic Safety	Community Development Block Grant
Assets							
Cash and investments	\$ 5,995	1,636	368	-	-	810	51
Interest receivable	62	17	4	-	-	9	1
Accounts receivable	143	-	-	-	-	52	-
Loans receivable	912	-	-	-	-	-	-
Land held for resale	7,014	-	-	-	-	-	-
Total assets	<u>\$ 14,126</u>	<u>1,653</u>	<u>372</u>	<u>-</u>	<u>-</u>	<u>871</u>	<u>52</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 24	-	-	-	-	30	-
Accrued liabilities	12	-	-	-	-	-	-
Intergovernmental payable	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Due to other funds	-	-	-	31	10	-	-
Deferred revenue	-	-	372	-	-	-	-
Total liabilities	<u>36</u>	<u>-</u>	<u>372</u>	<u>31</u>	<u>10</u>	<u>30</u>	<u>-</u>
Fund balances:							
Reserved:							
Land held for resale	7,014	-	-	-	-	-	-
Loans receivable	912	-	-	-	-	-	-
Unreserved	6,164	1,653	-	(31)	(10)	841	52
Total fund balances (deficits)	<u>14,090</u>	<u>1,653</u>	<u>-</u>	<u>(31)</u>	<u>(10)</u>	<u>841</u>	<u>52</u>
Total liabilities and fund balances	<u>\$ 14,126</u>	<u>1,653</u>	<u>372</u>	<u>-</u>	<u>-</u>	<u>871</u>	<u>52</u>

(continued)

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2007 (In thousands) (continued)

	State Gas Tax	Air Quality Improvement	Solid Waste	State Asset Forfeiture Program	Police Grant	Police Donations	Fire Donations
Assets							
Cash and investments	\$ 1,230	296	-	60	280	581	712
Interest receivable	13	3	-	-	3	6	7
Accounts receivable	-	16	29	-	60	-	-
Loans receivable	-	-	-	-	-	-	-
Land held for resale	-	-	47	-	-	-	-
Total assets	<u>\$ 1,243</u>	<u>315</u>	<u>76</u>	<u>60</u>	<u>343</u>	<u>587</u>	<u>719</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 12	-	31	-	-	6	14
Accrued liabilities	15	-	-	-	-	-	-
Intergovernmental payable	-	14	-	-	-	-	-
Other payables	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Due to other funds	-	-	345	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	<u>27</u>	<u>14</u>	<u>376</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>14</u>
Fund balances:							
Reserved:							
Land held for resale	-	-	47	-	-	-	-
Loans receivable	-	-	-	-	-	-	-
Unreserved	<u>1,216</u>	<u>301</u>	<u>(347)</u>	<u>60</u>	<u>343</u>	<u>581</u>	<u>705</u>
Total fund balances (deficits)	<u>1,216</u>	<u>301</u>	<u>(300)</u>	<u>60</u>	<u>343</u>	<u>581</u>	<u>705</u>
Total liabilities and fund balances	<u>\$ 1,243</u>	<u>315</u>	<u>76</u>	<u>60</u>	<u>343</u>	<u>587</u>	<u>719</u>

(continued)

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2007 (In thousands) (continued)

	Telecom- munications Equipment	Landscape and Lighting District	Measure A	Special Deposits	Transfer Station Road	Total
Assets						
Cash and investments	\$ -	74	2,349	794	-	15,236
Interest receivable	-	1	25	8	-	159
Accounts receivable	-	11	396	5	100	812
Loans receivable	-	-	-	-	-	912
Land held for resale	-	-	-	-	-	7,061
Total assets	<u>\$ -</u>	<u>86</u>	<u>2,770</u>	<u>807</u>	<u>100</u>	<u>24,180</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 2	4	105	-	9	237
Accrued liabilities	-	-	15	-	-	42
Intergovernmental payable	-	-	-	1	-	15
Other payables	-	-	-	4	-	4
Deposits	-	-	-	760	-	760
Due to other funds	-	-	-	-	436	822
Deferred revenue	-	-	-	-	-	372
Total liabilities	<u>2</u>	<u>4</u>	<u>120</u>	<u>765</u>	<u>445</u>	<u>2,252</u>
Fund balances:						
Reserved:						
Land held for resale	-	-	-	-	-	7,061
Loans receivable	-	-	-	-	-	912
Unreserved	<u>(2)</u>	<u>82</u>	<u>2,650</u>	<u>42</u>	<u>(345)</u>	<u>13,955</u>
Total fund balances (deficits)	<u>(2)</u>	<u>82</u>	<u>2,650</u>	<u>42</u>	<u>(345)</u>	<u>21,928</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>86</u>	<u>2,770</u>	<u>807</u>	<u>100</u>	<u>24,180</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended June 30, 2007 (In thousands)

	Low and Moderate Income Housing	Master Underground Plan	Developer Fees	TDA SB821	NPDES Program	Traffic Safety	Community Development Block Grant
Revenues							
Taxes	\$ 5,242	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Licenses and permits	-	44	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	343	-
Charges for services	-	-	-	-	-	-	-
Interest	187	80	-	-	-	37	1
Miscellaneous	641	-	-	-	-	-	-
Total revenues	6,070	124	-	-	-	380	1
Expenditures							
Current:							
General government	-	-	-	1	10	-	-
Community development	1,126	-	-	-	-	-	-
Public safety	-	-	-	-	-	120	-
Public works	-	-	-	-	-	-	-
Capital outlay	85	58	-	25	-	93	19
Debt service:							
Principal	47	-	-	-	-	-	-
Interest	4	-	-	-	-	-	-
Total expenditures	1,262	58	-	26	10	213	19
Excess (deficiency) of revenues over (under) expenditures	4,808	66	-	(26)	(10)	167	(18)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	(3,091)	-	-	-	-	(55)	-
Total other financing sources (uses)	(3,091)	-	-	-	-	(55)	-
Net change in fund balances	1,717	66	-	(26)	(10)	112	(18)
Fund balances (deficits), beginning	12,373	1,587	-	(5)	-	729	70
Fund balances (deficits), ending	\$ 14,090	1,653	-	(31)	(10)	841	52

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended June 30, 2007 (In thousands) (continued)

	State Gas Tax	Air Quality Improvement	Solid Waste	State Asset Forfeiture Program	Police Grant	Police Donations	Fire Donations
Revenues							
Taxes	\$ -	-	-	-	-	-	-
Intergovernmental	1,304	34	101	-	560	-	498
Licenses and permits	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	52	-	-	-
Charges for services	-	-	431	-	-	32	-
Interest	61	14	-	1	19	25	33
Miscellaneous	-	-	-	-	-	199	238
Total revenues	1,365	48	532	53	579	256	769
Expenditures							
Current:							
General government	-	-	460	-	-	-	-
Community development	-	-	-	-	-	-	-
Public safety	-	3	-	-	432	105	86
Public works	705	-	-	-	-	-	-
Capital outlay	140	-	14	-	63	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	845	3	474	-	495	105	86
Excess (deficiency) of revenues over (under) expenditures	520	45	58	53	84	151	683
Other financing sources (uses)							
Transfers in	22	-	-	-	-	-	-
Transfers out	(354)	(15)	(129)	-	(72)	-	(236)
Total other financing sources (uses)	(332)	(15)	(129)	-	(72)	-	(236)
Net change in fund balances	188	30	(71)	53	12	151	447
Fund balances (deficits), beginning	1,028	271	(229)	7	331	430	258
Fund balances (deficits), ending	\$ 1,216	301	(300)	60	343	581	705

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended June 30, 2007 (In thousands) (continued)

	Telecom- munications Equipment	Landscape and Lighting District	Measure A	Special Deposits	Transfer Station Road	Total
Revenues						
Taxes	\$ -	312	-	-	-	5,554
Intergovernmental	-	-	1,709	-	-	4,206
Licenses and permits	-	-	-	-	-	44
Fines and forfeitures	-	-	-	-	-	395
Charges for services	-	-	-	-	397	860
Interest	3	1	127	35	18	642
Miscellaneous	-	-	-	-	7	1,085
Total revenues	<u>3</u>	<u>313</u>	<u>1,836</u>	<u>35</u>	<u>422</u>	<u>12,786</u>
Expenditures						
Current:						
General government	-	117	-	-	6	594
Community development	-	-	-	-	-	1,126
Public safety	-	-	-	-	-	746
Public works	-	-	780	-	-	1,485
Capital outlay	74	-	1,284	-	1,445	3,300
Debt service:						
Principal	-	-	-	-	-	47
Interest	-	-	-	-	-	4
Total expenditures	<u>74</u>	<u>117</u>	<u>2,064</u>	<u>-</u>	<u>1,451</u>	<u>7,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(71)</u>	<u>196</u>	<u>(228)</u>	<u>35</u>	<u>(1,029)</u>	<u>5,484</u>
Other financing sources (uses)						
Transfers in	-	83	22	-	-	127
Transfers out	-	(205)	(300)	-	-	(4,457)
Total other financing sources (uses)	<u>-</u>	<u>(122)</u>	<u>(278)</u>	<u>-</u>	<u>-</u>	<u>(4,330)</u>
Net change in fund balances	(71)	74	(506)	35	(1,029)	1,154
Fund balances (deficits), beginning	<u>69</u>	<u>8</u>	<u>3,156</u>	<u>7</u>	<u>684</u>	<u>20,774</u>
Fund balances (deficits), ending	<u>\$ (2)</u>	<u>82</u>	<u>2,650</u>	<u>42</u>	<u>(345)</u>	<u>21,928</u>

Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2007 (In thousands)

	Redevelopment Agency Area 1	Redevelopment Agency Area 2	Big League Dreams	2002 D Housing Bonds	2002 E Housing Bonds	Total
Assets						
Cash and investments	\$ 925	3,585	614	-	1	5,125
Cash and investments with fiscal agent	-	-	592	1	-	593
Interest receivable	10	38	6	-	-	54
Accounts receivable	51	340	131	-	-	522
Loans receivable	-	-	3,926	-	-	3,926
Total assets	<u>\$ 986</u>	<u>3,963</u>	<u>5,269</u>	<u>1</u>	<u>1</u>	<u>10,220</u>
Fund Balances						
Fund balances:						
Reserved:						
Debt service	\$ 986	3,963	1,343	1	1	6,294
Loans receivable	-	-	3,926	-	-	3,926
Total fund balances	<u>\$ 986</u>	<u>3,963</u>	<u>5,269</u>	<u>1</u>	<u>1</u>	<u>10,220</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
Year ended June 30, 2007 (In thousands)

	Redevelopment Agency Area 1	Redevelopment Agency Area 2	Big League Dreams	2002 D Housing Bonds	2002 E Housing Bonds	Total
Revenues						
Taxes	\$ 1,201	4,764	-	-	-	5,965
Interest	36	85	494	2	1	618
Miscellaneous	-	-	26	-	-	26
Total revenues	1,237	4,849	520	2	1	6,609
Expenditures						
General government	13	74	3	3	3	96
Payments under pass-through agreements	86	300	-	-	-	386
Debt service:						
Principal	-	-	100	-	-	100
Interest	24	39	409	-	-	472
Total expenditures	123	413	512	3	3	1,054
Excess (deficiency) of revenues over (under) expenditures	1,114	4,436	8	(1)	(2)	5,555
Other financing sources (uses)						
Transfers in	1	-	-	1,425	1,033	2,459
Transfers out	(1,262)	(2,878)	-	(1,424)	(1,031)	(6,595)
Total other financing sources (uses)	(1,261)	(2,878)	-	1	2	(4,136)
Net change in fund balances	(147)	1,558	8	-	-	1,419
Fund balances, beginning	1,133	2,405	5,261	1	1	8,801
Fund balances, ending	\$ 986	3,963	5,269	1	1	10,220

Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2007 (In thousands)

	Redevelopment Agency Administration	Redevelopment Agency Area 1	Redevelopment Agency Area 2	Redevelopment Agency Area 3	2002 D Housing Bond	2002 E Housing Bond
Assets						
Cash and investments	\$ 3,500	2,180	1,072	2,713	7,884	4,242
Cash and investments with fiscal agent	-	-	-	-	-	-
Interest receivable	37	23	11	28	83	45
Accounts receivable	307	53	-	-	-	273
Loans receivable	-	-	-	-	-	5,951
Land held for resale	161	5,170	4,645	4,902	1,402	4,729
Deposits	-	-	-	-	-	-
Total assets	<u>\$ 4,005</u>	<u>7,426</u>	<u>5,728</u>	<u>7,643</u>	<u>9,369</u>	<u>15,240</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 152	1	-	-	-	-
Accrued liabilities	19	-	-	-	-	-
Deposits	-	12	-	1	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>171</u>	<u>13</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
Fund balances:						
Reserved:						
Deposits	-	-	-	-	-	-
Land held for resale	161	5,170	4,645	4,902	1,402	4,729
Loans receivable	-	-	-	-	-	5,951
Unreserved	<u>3,673</u>	<u>2,243</u>	<u>1,083</u>	<u>2,740</u>	<u>7,967</u>	<u>4,560</u>
Total fund balances	<u>3,834</u>	<u>7,413</u>	<u>5,728</u>	<u>7,642</u>	<u>9,369</u>	<u>15,240</u>
Total liabilities and fund balances	<u>\$ 4,005</u>	<u>7,426</u>	<u>5,728</u>	<u>7,643</u>	<u>9,369</u>	<u>15,240</u>

(continued)

Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2007 (In thousands) (continued)

	2004 TAB A	2004 TAB B	2005 TAB A MPA	2005 TAB A PA3	Police and Fire Facilities	Traffic Signalization
Assets						
Cash and investments	\$ 2,810	8,547	1,702	795	20	321
Cash and investments with fiscal agent	-	-	-	-	-	-
Interest receivable	30	90	18	8	-	3
Accounts receivable	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
Land held for resale	-	-	427	-	-	-
Deposits	-	380	-	-	-	-
Total assets	<u>\$ 2,840</u>	<u>9,017</u>	<u>2,147</u>	<u>803</u>	<u>20</u>	<u>324</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	-	-	-	-	25
Accrued liabilities	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25</u>
Fund balances:						
Reserved:						
Deposits	-	380	-	-	-	-
Land held for resale	-	-	427	-	-	-
Loans receivable	-	-	-	-	-	-
Unreserved	<u>2,840</u>	<u>8,637</u>	<u>1,720</u>	<u>803</u>	<u>20</u>	<u>299</u>
Total fund balances	<u>2,840</u>	<u>9,017</u>	<u>2,147</u>	<u>803</u>	<u>20</u>	<u>299</u>
Total liabilities and fund balances	<u>\$ 2,840</u>	<u>9,017</u>	<u>2,147</u>	<u>803</u>	<u>20</u>	<u>324</u>

(continued)

Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2007 (In thousands) (continued)

	Assessment District 85-1	Assessment District 86-1	Assessment District 86-5	Assessment District 87-2	Assessment District 88-2	Assessment District 88-3
Assets						
Cash and investments	\$ 2	539	98	9	100	201
Cash and investments with fiscal agent	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Total assets	<u>\$ 2</u>	<u>539</u>	<u>98</u>	<u>9</u>	<u>100</u>	<u>201</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	4	-	-	-	16
Accrued liabilities	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>
Fund balances:						
Reserved:						
Deposits	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
Unreserved	<u>2</u>	<u>535</u>	<u>98</u>	<u>9</u>	<u>100</u>	<u>185</u>
Total fund balances	<u>2</u>	<u>535</u>	<u>98</u>	<u>9</u>	<u>100</u>	<u>185</u>
Total liabilities and fund balances	<u>\$ 2</u>	<u>539</u>	<u>98</u>	<u>9</u>	<u>100</u>	<u>201</u>

(continued)

Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2007 (In thousands) (continued)

	Assessment District 2001-01	CFD Rio Vista	Assessment District 03-01	Assessment District 04-01	Assessment District 04-02	2007 TAB A
Assets						
Cash and investments	\$ 248	882	564	233	410	49
Cash and investments with fiscal agent	96	-	725	2,978	20,439	15,165
Interest receivable	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	1
Loans receivable	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	4,000
Deposits	-	-	-	-	-	-
Total assets	<u>\$ 344</u>	<u>882</u>	<u>1,289</u>	<u>3,211</u>	<u>20,849</u>	<u>19,215</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	-	-	4	930	27
Accrued liabilities	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Deferred revenue	248	-	-	-	-	-
Total liabilities	<u>248</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>930</u>	<u>27</u>
Fund balances:						
Reserved:						
Deposits	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	4,000
Loans receivable	-	-	-	-	-	-
Unreserved	96	882	1,289	3,207	19,919	15,188
Total fund balances	<u>96</u>	<u>882</u>	<u>1,289</u>	<u>3,207</u>	<u>19,919</u>	<u>19,188</u>
Total liabilities and fund balances	<u>\$ 344</u>	<u>882</u>	<u>1,289</u>	<u>3,211</u>	<u>20,849</u>	<u>19,215</u>

(continued)

Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2007 (In thousands) (continued)

	<u>Total</u>
Assets	
Cash and investments	\$ 39,121
Cash and investments with fiscal agent	39,403
Interest receivable	376
Accounts receivable	634
Loans receivable	5,951
Land held for resale	25,436
Deposits	<u>380</u>
Total assets	<u><u>\$ 111,301</u></u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 1,159
Accrued liabilities	19
Deposits	13
Deferred revenue	<u>248</u>
Total liabilities	<u>1,439</u>
Fund balances:	
Reserved:	
Deposits	380
Land held for resale	25,436
Loans receivable	5,951
Unreserved	<u>78,095</u>
Total fund balances	<u>109,862</u>
Total liabilities and fund balances	<u><u>\$ 111,301</u></u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Projects Funds

Year ended June 30, 2007 (In thousands)

	Redevelopment Agency Administration	Redevelopment Agency Area 1	Redevelopment Agency Area 2	Redevelopment Agency Area 3	2002 D Housing Bond	2002 E Housing Bond
Revenues						
Charges for services	\$ -	204	-	-	-	-
Interest	68	126	66	148	397	385
Gain on sale of land held for resale	-	-	-	-	-	90
Miscellaneous	38	302	-	6	22	-
Total revenues	106	632	66	154	419	475
Expenditures						
General government	1,470	-	-	-	-	-
Community development	689	234	1,028	(101)	1,147	1
Capital outlay	283	148	763	2,386	-	-
Loss on sale of land held for resale	86	-	-	-	-	-
Total expenditures	2,528	382	1,791	2,285	1,147	1
Excess (deficiency) of revenues over (under) expenditures	(2,422)	250	(1,725)	(2,131)	(728)	474
Other financing sources (uses)						
Transfers in	6,348	-	-	-	-	-
Transfers out	(1,287)	-	-	-	-	-
Total other financing sources (uses)	5,061	-	-	-	-	-
Net change in fund balances	2,639	250	(1,725)	(2,131)	(728)	474
Fund balances, beginning	1,195	7,163	7,453	9,773	10,097	14,766
Fund balances, ending	\$ 3,834	7,413	5,728	7,642	9,369	15,240

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year ended June 30, 2007 (In thousands) (continued)

	2004 TAB A	2004 TAB B	2005 TAB A MPA	2005 TAB A PA3	Police and Fire Facilities	Traffic Signalization
Revenues						
Charges for services	\$ -	-	-	-	51	25
Interest	137	393	82	38	15	16
Gain on sale of land held for resale	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	3
Total revenues	137	393	82	38	66	44
Expenditures						
General government	-	-	-	-	-	-
Community development	20	-	-	-	-	25
Capital outlay	-	-	-	-	123	39
Loss on sale of land held for resale	-	-	-	-	-	-
Total expenditures	20	-	-	-	123	64
Excess (deficiency) of revenues over (under) expenditures	117	393	82	38	(57)	(20)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(325)	-
Total other financing sources (uses)	-	-	-	-	(325)	-
Net change in fund balances	117	393	82	38	(382)	(20)
Fund balances, beginning	2,723	8,624	2,065	765	402	319
Fund balances, ending	\$ 2,840	9,017	2,147	803	20	299

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year ended June 30, 2007 (In thousands) (continued)

	Assessment District 85-1	Assessment District 86-1	Assessment District 86-5	Assessment District 87-2	Assessment District 88-2	Assessment District 88-3
Revenues						
Charges for services	\$ -	-	-	-	-	-
Interest	-	-	-	-	-	-
Gain on sale of land held for resale	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-
Expenditures						
General government	-	-	-	-	-	-
Community development	-	-	-	-	-	1
Capital outlay	-	15	23	-	6	30
Loss on sale of land held for resale	-	-	-	-	-	-
Total expenditures	-	15	23	-	6	31
Excess (deficiency) of revenues over (under) expenditures	-	(15)	(23)	-	(6)	(31)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	-	(15)	(23)	-	(6)	(31)
Fund balances, beginning	2	550	121	9	106	216
Fund balances, ending	\$ 2	535	98	9	100	185

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year ended June 30, 2007 (In thousands) (continued)

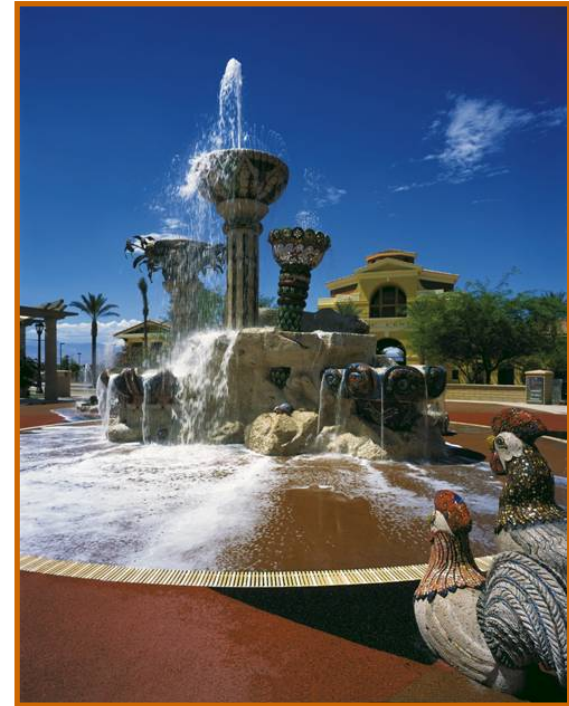
	Assessment District 2001-01	CFD Rio Vista	Assessment District 03-01	Assessment District 04-01	Assessment District 04-02	2007 TAB A
Revenues						
Charges for services	\$ -	-	-	-	-	-
Interest	4	-	32	246	1,102	182
Gain on sale of land held for resale	-	-	-	-	-	-
Miscellaneous	-	-	10	-	140	-
Total revenues	4	-	42	246	1,242	182
Expenditures						
General government	-	-	-	-	-	-
Community development	-	-	-	-	-	151
Capital outlay	-	1,368	25	2,456	8,496	-
Loss on sale of land held for resale	-	-	-	-	-	-
Total expenditures	-	1,368	25	2,456	8,496	151
Excess (deficiency) of revenues over (under) expenditures	4	(1,368)	17	(2,210)	(7,254)	31
Other financing sources (uses)						
Transfers in	-	-	-	-	-	29,084
Transfers out	-	-	-	(30)	-	(9,927)
Total other financing sources (uses)	-	-	-	(30)	-	19,157
Net change in fund balances	4	(1,368)	17	(2,240)	(7,254)	19,188
Fund balances, beginning	92	2,250	1,272	5,447	27,173	-
Fund balances, ending	\$ 96	882	1,289	3,207	19,919	19,188

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year ended June 30, 2007 (In thousands) (continued)

	Total
Revenues	
Charges for services	\$ 280
Interest	3,437
Gain on sale of land held for resale	90
Miscellaneous	521
Total revenues	<u>4,328</u>
Expenditures	
General government	1,470
Community development	3,195
Capital outlay	16,161
Loss on sale of land held for resale	86
Total expenditures	<u>20,912</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,584)</u>
Other financing sources (uses)	
Transfers in	35,432
Transfers out	<u>(11,569)</u>
Total other financing sources (uses)	<u>23,863</u>
Net change in fund balances	7,279
Fund balances, beginning	<u>102,583</u>
Fund balances, ending	<u><u>\$ 109,862</u></u>

Internal Service Funds



INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS – Internal service funds are used to account for activities involved in rendering services to various City departments. Costs of materials and services used are accumulated in these funds and charged to the user departments as such goods are delivered or services rendered.

Equipment Replacement – Accounts for costs of maintaining and providing for replacement of the City's vehicles.

Insurance – Accounts for costs related to the City's various insurance coverages. Insurance costs, liability claims and other administrative costs are reported in this fund. Financing is provided by operating transfers from other funds or usage charges to those funds and departments of the City.

Combining Statement of Net Assets
Internal Service Funds
June 30, 2007 (In thousands)

	Equipment Replacement	Insurance	Total
Assets			
Current assets:			
Cash and investments	\$ 1,870	5,984	7,854
Interest receivable	-	66	66
Accounts receivable	5	-	5
Inventories	27	-	27
Total current assets	1,902	6,050	7,952
Capital assets:			
Vehicles	7,618	-	7,618
Accumulated depreciation	(3,669)	-	(3,669)
Total capital assets (net of accumulated depreciation)	3,949	-	3,949
Total assets	\$ 5,851	6,050	11,901
Liabilities and Net Assets			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 25	53	78
Claims payable	-	500	500
Insurance payable	-	250	250
Capital lease payable	75	-	75
Total current liabilities	100	803	903
Noncurrent liabilities:			
Claims payable	-	1,708	1,708
Total noncurrent liabilities	-	1,708	1,708
Total liabilities	100	2,511	2,611
Net assets:			
Invested in capital assets, net of related debt	3,874	-	3,874
Unrestricted	1,877	3,539	5,416
Total net assets	5,751	3,539	9,290
Total liabilities and net assets	\$ 5,851	6,050	11,901

Combining Statement of Revenues, Expenses and Changes in Net Assets**Internal Service Funds****Year ended June 30, 2007** (In thousands)

	Equipment Replacement	Insurance	Total
Operating revenues			
Charges for services	\$ 1,161	4,179	5,340
Miscellaneous	516	-	516
Total operating revenues	1,677	4,179	5,856
Operating expenses			
Insurance claims and expenses	-	3,693	3,693
Repairs and maintenance	198	-	198
Depreciation	554	-	554
Other expenses	-	102	102
Total expenses	752	3,795	4,547
Operating income (loss)	925	384	1,309
Nonoperating revenues (expenses)			
Interest revenue	35	264	299
Interest expense	(12)	-	(12)
Gain on sale of capital assets	44	-	44
Total nonoperating revenues (expenses)	67	264	331
Income before transfers	992	648	1,640
Transfers			
Transfers in	1,593	1,657	3,250
Transfers out	-	(500)	(500)
Total transfers	1,593	1,157	2,750
Change in net assets	2,585	1,805	4,390
Net assets, beginning	3,166	1,734	4,900
Net assets, ending	\$ 5,751	3,539	9,290

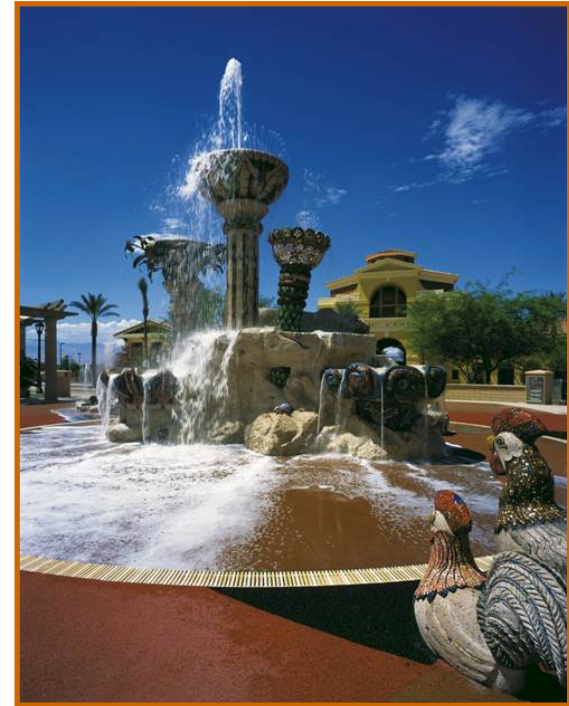
Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2007 (In thousands)

	Equipment Replacement	Insurance	Total
Cash flows from operating activities			
Receipts from customers and user departments	\$ 1,413	4,261	5,674
Payments to suppliers for goods and services	(457)	(4,422)	(4,879)
Other receipts (payments)	516	-	516
Net cash provided by (used in) operating activities	1,472	(161)	1,311
Cash flows from noncapital financing activities			
Transfers from other funds	1,583	1,657	3,240
Transfers to other funds	-	(500)	(500)
Net cash provided by (used in) noncapital financing activities	1,583	1,157	2,740
Cash flows from capital and related activities			
Purchase of capital assets	(2,006)	-	(2,006)
Principal paid on capital debt	(208)	-	(208)
Interest paid on capital debt	(12)	-	(12)
Proceeds from sale of capital assets	46	-	46
Net cash provided by (used in) capital and related activities	(2,180)	-	(2,180)
Cash flows from investing activities			
Interest received on investments	31	240	271
Net cash provided by (used in) investing activities	31	240	271
Net increase (decrease) in cash and cash equivalents	906	1,236	2,142
Cash and cash equivalents at beginning of year	964	4,748	5,712
Cash and cash equivalents at end of year	\$ 1,870	5,984	7,854
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 925	384	1,309
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	554	-	554
(Increase) decrease in accounts receivable	-	-	-
(Increase) decrease in inventories	(7)	-	(7)
Increase (decrease) in insurance payable	-	-	-
Increase (decrease) in claims payable	-	(539)	(539)
Increase (decrease) in accrued liabilities	-	(59)	(59)
Increase (decrease) in accounts payable	(12)	53	41
(Increase) decrease in amounts payable related to equipment purchases	12	-	12
Total adjustments	547	(545)	2
Net cash provided by (used for) operating activities	\$ 1,472	(161)	161 1,311
Noncash investing, capital, and financing activities			
Purchase of equipment on account	\$ (12)	-	(12)

Agency Funds



AGENCY FUNDS

AGENCY FUNDS – Agency funds are used to account for assets held by the City as an agent for individuals, principal organizations, other governments, and/or funds.

Assessment District 85-1 – Accounts for the receipt of special assessments and principal and interest payments on the Limited Obligation Improvement Bonds.

Assessment District 86-1 – Accounts for the receipt of special assessments and principal and interest payments on the Limited Obligation Improvement Bonds.

Assessment District 86-5 – Accounts for the receipt of special assessments and principal and interest payments on the Limited Obligation Improvement Bonds.

Assessment District 87-2 – Accounts for the receipt of special assessments and principal and interest payments on the Limited Obligation Improvement Bonds.

Assessment District 88-2 – Accounts for the receipt of special assessments and principal and interest payments on the Limited Obligation Improvement Bonds.

Assessment District 88-3 – Accounts for the receipt of special assessments and principal and interest payments on the Limited Obligation Improvement Bonds.

Assessment District 96-1 – Accounts for the receipt of special assessments and principal and interest payments on the Limited Obligation Improvement Bonds.

Assessment District 2001-01 – Accounts for the receipt of special assessments and principal and interest payments on the Limited Obligation Improvement Bonds.

Rio Vista CFD – Accounts for deposits held by the City for the Rio Vista Community Facilities District.

2004 Limited Obligation Bond A – Accounts for the receipt of special assessments and principal and interest payments on the Limited Obligation Improvement Bonds.

Assessment District 03-01 – Accounts for the receipt of special assessments and principal and interest payments on the Limited Obligation Improvement Bonds.

Assessment District 04-01 – Accounts for the receipt of special assessments and principal and interest payments on the Limited Obligation Improvement Bonds.

Assessment District 04-02 – Accounts for the receipt of special assessments and principal and interest payments on the Limited Obligation Improvement Bonds.

Combining Statement of Fiduciary Assets and Liabilities**Agency Funds****June 30, 2007** (In thousands)

	Assessment District 85-1	Assessment District 86-1	Assessment District 86-5	Assessment District 87-2	Assessment District 88-2	Assessment District 88-3	Assessment District 96-1
Assets							
Cash and investments	\$ 732	1,160	574	12	439	1,399	474
Cash and investments with fiscal agent	-	-	-	-	-	-	-
Interest receivable	8	18	7	-	6	17	5
Special assessments receivable	72	51	298	-	394	2,284	4,210
Total assets	<u>\$ 812</u>	<u>1,229</u>	<u>879</u>	<u>12</u>	<u>839</u>	<u>3,700</u>	<u>4,689</u>
Liabilities							
Accounts payable	\$ 5	7	2	-	2	11	5
Due to bondholders	807	1,222	877	12	837	3,689	4,684
Total liabilities	<u>\$ 812</u>	<u>1,229</u>	<u>879</u>	<u>12</u>	<u>839</u>	<u>3,700</u>	<u>4,689</u>

	Assessment District 2001-01	Rio Vista CFD	2004 Limited Obligation Bond A	Assessment District 03-01	Assessment District 04-01	Assessment District 04-02	Total
Assets							
Cash and investments	\$ 169	543	-	381	297	2,719	8,899
Cash and investments with fiscal agent	258	2,237	2,392	457	425	2,245	8,014
Interest receivable	4	6	-	10	6	33	120
Special assessments receivable	2,658	9	-	5,957	5,528	31,460	52,921
Total assets	<u>\$ 3,089</u>	<u>2,795</u>	<u>2,392</u>	<u>6,805</u>	<u>6,256</u>	<u>36,457</u>	<u>69,954</u>
Liabilities							
Accounts payable	\$ 1	1	-	2	4	6	46
Due to bondholders	3,088	2,794	2,392	6,803	6,252	36,451	69,908
Total liabilities	<u>\$ 3,089</u>	<u>2,795</u>	<u>2,392</u>	<u>6,805</u>	<u>6,256</u>	<u>36,457</u>	<u>69,954</u>

Statement of Changes in Fiduciary Assets and Liabilities**Agency Funds****Year ended June 30, 2007** (In thousands)

	Beginning Balance	Additions	Deletions	Ending Balance
Assessment District 85-1				
Assets				
Cash and investments	\$ 712	437	417	732
Interest receivable	7	17	16	8
Special assessments receivable	433	72	433	72
Total assets	<u>\$ 1,152</u>	<u>526</u>	<u>866</u>	<u>812</u>
Liabilities				
Accounts payable	\$ -	18	13	5
Due to bondholders	1,152	515	860	807
Total liabilities	<u>\$ 1,152</u>	<u>533</u>	<u>873</u>	<u>812</u>
Assessment District 86-1				
Assets				
Cash and investments	\$ 1,075	845	760	1,160
Interest receivable	15	38	35	18
Special assessments receivable	760	51	760	51
Total assets	<u>\$ 1,850</u>	<u>934</u>	<u>1,555</u>	<u>1,229</u>
Liabilities				
Accounts payable	\$ -	28	21	7
Due to bondholders	1,850	910	1,538	1,222
Total liabilities	<u>\$ 1,850</u>	<u>938</u>	<u>1,559</u>	<u>1,229</u>

(continued)

Statement of Changes in Fiduciary Assets and Liabilities**Agency Funds****Year ended June 30, 2007** (In thousands) (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Assessment District 86-5				
Assets				
Cash and investments	\$ 547	325	298	574
Interest receivable	6	15	14	7
Special assessments receivable	545	298	545	298
Total assets	<u>\$ 1,098</u>	<u>638</u>	<u>857</u>	<u>879</u>
Liabilities				
Accounts payable	\$ -	9	7	2
Due to bondholders	1,098	628	849	877
Total liabilities	<u>\$ 1,098</u>	<u>637</u>	<u>856</u>	<u>879</u>
Assessment District 87-2				
Assets				
Cash and investments	\$ 11	1	-	12
Total assets	<u>\$ 11</u>	<u>1</u>	<u>-</u>	<u>12</u>
Liabilities				
Due to bondholders	\$ 11	1	-	12
Total liabilities	<u>\$ 11</u>	<u>1</u>	<u>-</u>	<u>12</u>

(continued)

Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2007 (In thousands) (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Assessment District 88-2				
Assets				
Cash and investments	\$ 408	240	209	439
Interest receivable	5	12	11	6
Special assessments receivable	564	394	564	394
Total assets	<u>\$ 977</u>	<u>646</u>	<u>784</u>	<u>839</u>
Liabilities				
Accounts payable	\$ -	9	7	2
Due to bondholders	977	639	779	837
Total liabilities	<u>\$ 977</u>	<u>648</u>	<u>786</u>	<u>839</u>
Assessment District 88-3				
Assets				
Cash and investments	\$ 1,294	970	865	1,399
Interest receivable	14	36	33	17
Special assessments receivable	2,944	2,284	2,944	2,284
Total assets	<u>\$ 4,252</u>	<u>3,290</u>	<u>3,842</u>	<u>3,700</u>
Liabilities				
Accounts payable	\$ -	39	28	11
Due to bondholders	4,252	3,267	3,830	3,689
Total liabilities	<u>\$ 4,252</u>	<u>3,306</u>	<u>3,858</u>	<u>3,700</u>

(continued)

Statement of Changes in Fiduciary Assets and Liabilities**Agency Funds****Year ended June 30, 2007** (In thousands) (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Assessment District 96-1				
Assets				
Cash and investments	\$ 618	413	557	474
Interest receivable	6	13	14	5
Special assessments receivable	4,359	4,210	4,359	4,210
Total assets	<u>\$ 4,983</u>	<u>4,636</u>	<u>4,930</u>	<u>4,689</u>
Liabilities				
Accounts payable	\$ -	18	13	5
Due to bondholders	4,983	4,627	4,926	4,684
Total liabilities	<u>\$ 4,983</u>	<u>4,645</u>	<u>4,939</u>	<u>4,689</u>
Assessment District 2001-01				
Assets				
Cash and investments	\$ 152	267	250	169
Cash and investments with fiscal agent	257	251	250	258
Interest receivable	4	9	9	4
Special assessments receivable	2,737	2,658	2,737	2,658
Total assets	<u>\$ 3,150</u>	<u>3,185</u>	<u>3,246</u>	<u>3,089</u>
Liabilities				
Accounts payable	\$ -	246	245	1
Due to bondholders	3,150	2,940	3,002	3,088
Total liabilities	<u>\$ 3,150</u>	<u>3,186</u>	<u>3,247</u>	<u>3,089</u>

(continued)

Statement of Changes in Fiduciary Assets and Liabilities**Agency Funds****Year ended June 30, 2007** (In thousands) (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Rio Vista CFD				
Assets				
Cash and investments	\$ 422	806	685	543
Cash and investments with fiscal agent	2,336	738	837	2,237
Interest receivable	4	11	9	6
Special assessments receivable	72	9	72	9
Total assets	<u>\$ 2,834</u>	<u>1,564</u>	<u>1,603</u>	<u>2,795</u>
Liabilities				
Accounts payable	\$ -	681	680	1
Due to bondholders	2,834	893	933	2,794
Total liabilities	<u>\$ 2,834</u>	<u>1,574</u>	<u>1,613</u>	<u>2,795</u>
2004 Limited Obligation Bond A				
Assets				
Cash and investments	\$ -	533	533	-
Cash and investments with fiscal agent	1,937	3,025	2,570	2,392
Total assets	<u>\$ 1,937</u>	<u>3,558</u>	<u>3,103</u>	<u>2,392</u>
Liabilities				
Accounts payable	\$ -	533	533	-
Due to bondholders	1,937	3,028	2,573	2,392
Total liabilities	<u>\$ 1,937</u>	<u>3,561</u>	<u>3,106</u>	<u>2,392</u>

(continued)

Statement of Changes in Fiduciary Assets and Liabilities**Agency Funds****Year ended June 30, 2007** (In thousands) (continued)

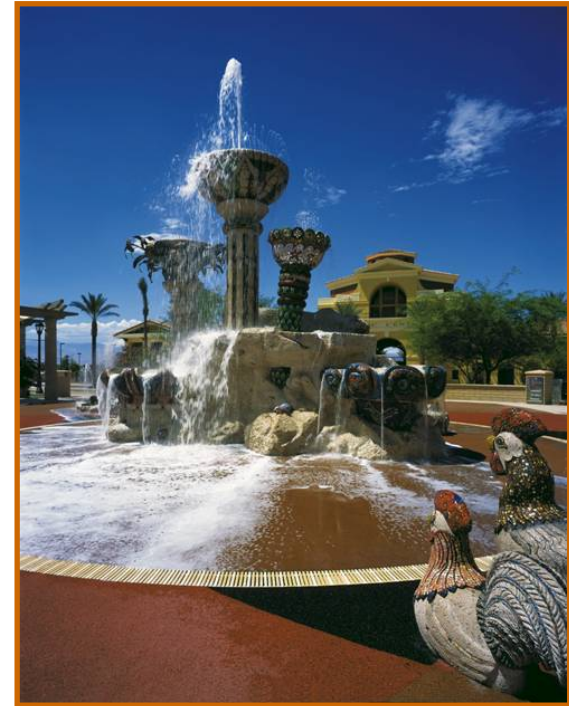
	Beginning Balance	Additions	Deletions	Ending Balance
Assessment District 03-01				
Assets				
Cash and investments	\$ 296	508	423	381
Cash and investments with fiscal agent	479	431	453	457
Interest receivable	8	20	18	10
Special assessments receivable	6,101	5,957	6,101	5,957
Total assets	<u>\$ 6,884</u>	<u>6,916</u>	<u>6,995</u>	<u>6,805</u>
Liabilities				
Accounts payable	\$ -	418	416	2
Due to bondholders	6,884	6,494	6,575	6,803
Total liabilities	<u>\$ 6,884</u>	<u>6,912</u>	<u>6,991</u>	<u>6,805</u>
Assessment District 04-01				
Assets				
Cash and investments	\$ 286	419	408	297
Cash and investments with fiscal agent	431	411	417	425
Interest receivable	3	10	7	6
Special assessments receivable	5,638	5,528	5,638	5,528
Total assets	<u>\$ 6,358</u>	<u>6,368</u>	<u>6,470</u>	<u>6,256</u>
Liabilities				
Accounts payable	\$ -	404	400	4
Due to bondholders	6,358	5,971	6,077	6,252
Total liabilities	<u>\$ 6,358</u>	<u>6,375</u>	<u>6,477</u>	<u>6,256</u>

(continued)

Statement of Changes in Fiduciary Assets and Liabilities**Agency Funds****Year ended June 30, 2007** (In thousands) (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Assessment District 04-02				
Assets				
Cash and investments	\$ 2,423	2,265	1,969	2,719
Cash and investments with fiscal agent	2,245	2,025	2,025	2,245
Interest receivable	24	65	56	33
Special assessments receivable	32,022	31,461	32,023	31,460
Total assets	<u>\$ 36,714</u>	<u>35,816</u>	<u>36,073</u>	<u>36,457</u>
Liabilities				
Accounts payable	\$ -	1,949	1,943	6
Due to bondholders	36,714	33,854	34,117	36,451
Total liabilities	<u>\$ 36,714</u>	<u>35,803</u>	<u>36,060</u>	<u>36,457</u>
Totals				
Assets				
Cash and investments	\$ 8,244	8,029	7,374	8,899
Cash and investments with fiscal agent	7,685	6,881	6,552	8,014
Interest receivable	96	246	222	120
Special assessments receivable	56,175	52,922	56,176	52,921
Total assets	<u>\$ 72,200</u>	<u>68,078</u>	<u>70,324</u>	<u>69,954</u>
Liabilities				
Accounts payable	\$ -	4,352	4,306	46
Due to bondholders	72,200	63,767	66,059	69,908
Total liabilities	<u>\$ 72,200</u>	<u>68,119</u>	<u>70,365</u>	<u>69,954</u>

Other Supplementary Schedules



Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Nonmajor Special Revenue Funds
Year ended June 30, 2007 (In thousands)

	Low and Moderate Income Housing			State Gas Tax		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues						
Taxes	\$ -	5,242	5,242	950	-	(950)
Intergovernmental	4,700	-	(4,700)	-	1,304	1,304
Licenses and permits	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest	50	187	137	25	61	36
Miscellaneous	180	641	461	-	-	-
Total revenues	4,930	6,070	1,140	975	1,365	390
Expenditures						
Current:						
General government	-	-	-	-	-	-
Community development	767	1,126	359	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	785	705	(80)
Capital outlay	5	85	80	-	140	140
Debt service:						
Principal	-	47	47	-	-	-
Interest	-	4	4	-	-	-
Total expenditures	772	1,262	490	785	845	60
Excess (deficiency) of revenues over (under) expenditures	4,158	4,808	650	190	520	330
Other financing sources (uses)						
Transfers in	-	-	-	-	22	22
Transfers out	(3,078)	(3,091)	(13)	(275)	(354)	(79)
Total other financing sources (uses)	(3,078)	(3,091)	(13)	(275)	(332)	(57)
Net change in fund balances	1,080	1,717	637	(85)	188	273
Fund balances (deficits), beginning	12,373	12,373	-	1,028	1,028	-
Fund balances (deficits), ending	\$ 13,453	14,090	637	943	1,216	273

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Nonmajor Special Revenue Funds
Year ended June 30, 2007 (In thousands) (continued)

	Air Quality Improvement			Solid Waste		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues						
Taxes	\$ -	-	-	-	-	-
Intergovernmental	35	34	(1)	-	101	101
Licenses and permits	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Charges for services	-	-	-	300	431	131
Interest	-	14	14	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	35	48	13	300	532	232
Expenditures						
Current:						
General government	-	-	-	554	460	(94)
Community development	-	-	-	-	-	-
Public safety	-	3	3	-	-	-
Public works	20	-	(20)	-	-	-
Capital outlay	100	-	(100)	114	14	(100)
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	120	3	(117)	668	474	(194)
Excess (deficiency) of revenues over (under) expenditures	(85)	45	130	(368)	58	426
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(15)	(15)	(159)	(129)	30
Total other financing sources (uses)	-	(15)	(15)	(159)	(129)	30
Net change in fund balances	(85)	30	115	(527)	(71)	456
Fund balances (deficits), beginning	271	271	-	(229)	(229)	-
Fund balances (deficits), ending	\$ 186	301	115	(756)	(300)	456

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Nonmajor Special Revenue Funds
Year ended June 30, 2007 (In thousands) (continued)

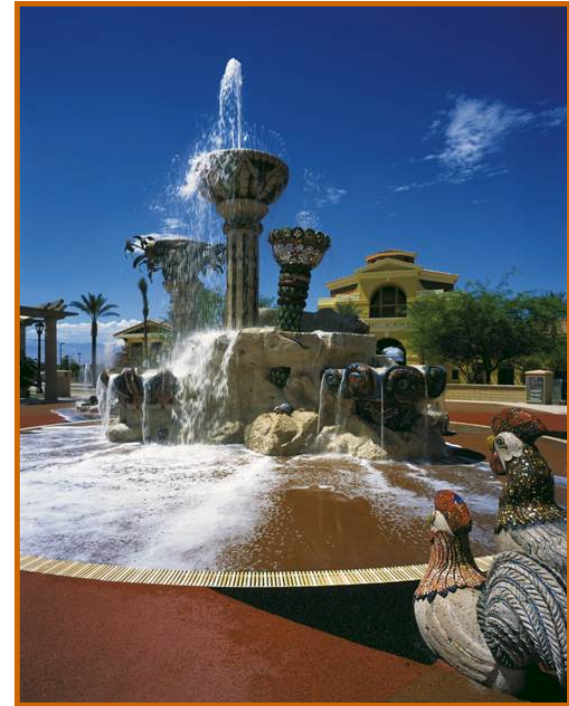
	Police Donations			Fire Donations		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues						
Taxes	\$ -	-	-	-	-	-
Intergovernmental	-	-	-	-	498	498
Licenses and permits	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Charges for services	-	32	32	-	-	-
Interest	10	25	15	5	33	28
Miscellaneous	137	199	62	70	238	168
Total revenues	147	256	109	75	769	694
Expenditures						
Current:						
General government	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Public safety	141	105	(36)	99	86	(13)
Public works	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	141	105	(36)	99	86	(13)
Excess (deficiency) of revenues over (under) expenditures	6	151	145	(24)	683	707
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(236)	(236)
Total other financing sources (uses)	-	-	-	-	(236)	(236)
Net change in fund balances	6	151	145	(24)	447	471
Fund balances (deficits), beginning	430	430	-	258	258	-
Fund balances (deficits), ending	\$ 436	581	145	234	705	471

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Nonmajor Special Revenue Funds
Year ended June 30, 2007 (In thousands) (continued)

	Measure A		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Taxes	\$ -	-	-
Intergovernmental	1,700	1,709	9
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Charges for services	-	-	-
Interest	70	127	57
Miscellaneous	-	-	-
Total revenues	1,770	1,836	66
Expenditures			
Current:			
General government	-	-	-
Community development	-	-	-
Public safety	-	-	-
Public works	982	780	(202)
Capital outlay	-	1,284	1,284
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	982	2,064	1,082
Excess (deficiency) of revenues over (under) expenditures	788	(228)	(1,016)
Other financing sources (uses)			
Transfers in	-	22	22
Transfers out	(275)	(300)	(25)
Total other financing sources (uses)	(275)	(278)	(3)
Net change in fund balances	513	(506)	(1,019)
Fund balances (deficits), beginning	3,156	3,156	-
Fund balances (deficits), ending	\$ 3,669	2,650	(1,019)

Statistical Section



STATISTICAL SECTION

(Unaudited)

The Statistical Section is included to provide financial statement users with additional historical perspective, context, and detail for them to use in evaluating the information contained within the financial statements, notes to the financial statements, and required supplementary information with the goal of providing them with a better understanding of the City's economic condition.

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Financial trends

These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.

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• Changes in Net Assets	101
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Revenue capacity

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• Property Tax Rates – Direct and Overlapping Governments	108
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STATISTICAL SECTION**(Unaudited)** (continued)

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

- Demographic and Economic Statistics 119
- Principal Employers – Current Year and Nine Years Ago 120

Operating information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

- Full-time Equivalent City Government Employees by Function 121
- Operating Indicators by Function 122
- Capital Asset Statistics by Function 123
- City of Cathedral City Map 124

Net Assets by Component
Last Five Fiscal Years (In thousands)
 (Accrual Basis of Accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
Invested in capital assets, net of related debt	\$ 36,888	107,520	112,911	122,219	129,980
Restricted	7,219	91,617	98,648	125,460	165,751
Unrestricted	(3,510)	(110,017)	(109,324)	(102,049)	(127,461)
Total governmental activities net assets	<u>\$ 40,597</u>	<u>89,120</u>	<u>102,235</u>	<u>145,630</u>	<u>168,270</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 36,888	107,520	112,911	122,219	129,980
Restricted	7,219	91,617	98,648	125,460	165,751
Unrestricted	(3,510)	(110,017)	(109,324)	(102,049)	(127,461)
Total primary government net assets	<u>\$ 40,597</u>	<u>89,120</u>	<u>102,235</u>	<u>145,630</u>	<u>168,270</u>

Notes to Schedule:

- Note 1: GASB 34 financial statements were first presented for the fiscal year ended June 30, 2003. Subsequent years will be added to this schedule until a total of ten years is presented.
- Note 2: The reporting format was changed beginning with the fiscal year ended June 30, 2004. Debt service funds for all assessment districts were eliminated since the City is not obligated for this debt in any way. Amounts for the fiscal year ended June 30, 2003, have been restated to eliminate all net assets related to assessment district debt service funds.
- Note 3: The increase in total net assets of \$48,523 from 2003 to 2004 consists of the following: (1) prior period adjustments - \$43,177; and (2) current year increase in net assets - \$5,346.
- Note 4: The increase in total net assets of \$13,115 from 2004 to 2005 consists of the following: (1) prior period adjustment - \$10,160; and (2) current year increase in net assets - \$2,955.

Source: City of Cathedral City, Government-Wide Financial Statements

Changes in Net Assets
Last Five Fiscal Years (In thousands)
 (Accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 20,302	21,164	31,122	18,833	17,617
Public works	2,533	2,172	2,879	5,351	4,960
Parks and recreation	-	-	-	-	-
Public safety	12,762	12,845	15,433	17,006	19,703
Community development	-	801	7,130	9,108	9,413
Interest on long-term debt	6,877	6,175	6,156	5,113	8,070
Total governmental activities expenses	42,474	43,157	62,720	55,411	59,763
Total primary government expenses	<u>\$ 42,474</u>	<u>43,157</u>	<u>62,720</u>	<u>55,411</u>	<u>59,763</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 3,522	2,658	2,665	3,246	7,719
Public works	-	255	606	606	600
Parks and recreation	101	-	-	-	-
Public safety	1,573	1,637	1,934	1,988	1,957
Community development	-	95	74	44	441
Operating grants and contributions	3,891	3,989	4,798	6,955	4,091
Capital grants and contributions	253	755	354	-	10,237
Total governmental activities program revenues	9,340	9,389	10,431	12,839	25,045
Total primary government program revenues	<u>\$ 9,340</u>	<u>9,389</u>	<u>10,431</u>	<u>12,839</u>	<u>25,045</u>
Net (Expense)/Revenue					
Governmental activities	<u>\$(33,134)</u>	<u>(33,768)</u>	<u>(52,289)</u>	<u>(42,572)</u>	<u>(34,718)</u>
Total primary government net expense	<u>\$(33,134)</u>	<u>(33,768)</u>	<u>(52,289)</u>	<u>(42,572)</u>	<u>(34,718)</u>

(continued)

Changes in Net Assets**Last Five Fiscal Years** (In thousands)

(Accrual basis of accounting) (continued)

	Fiscal Year				
	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	\$ 20,855	20,087	19,908	24,280	28,145
Sales taxes (Note 3)	8,652	9,331	10,165	10,177	10,008
Motor vehicle in lieu taxes (Note 4)	2,595	2,160	2,902	4,434	-
Transient occupancy taxes	1,774	1,681	1,703	1,851	-
Other taxes	-	-	-	-	6,240
Franchise fees	1,333	2,012	4,146	4,383	2,031
Interest	1,916	1,387	2,613	3,846	6,803
Capital contributions	-	-	-	33,244	-
Transfers	-	2,241	12,014	-	-
Miscellaneous	278	215	1,793	3,752	4,131
Total governmental activities	<u>\$ 37,403</u>	<u>39,114</u>	<u>55,244</u>	<u>85,967</u>	<u>57,358</u>
Total primary government	<u>\$ 37,403</u>	<u>39,114</u>	<u>55,244</u>	<u>85,967</u>	<u>57,358</u>
Change in Net Assets					
Governmental activities	<u>\$ 4,269</u>	<u>5,346</u>	<u>2,955</u>	<u>43,395</u>	<u>22,640</u>
Total primary government	<u>\$ 4,269</u>	<u>5,346</u>	<u>2,955</u>	<u>43,395</u>	<u>22,640</u>

Notes to Schedule:

Note 1: GASB 34 financial statements were first presented for the fiscal year ended June 30, 2003. Subsequent years will be added to this schedule until a total of ten years is presented.

Note 2: The reporting format was changed beginning with the fiscal year ended June 30, 2004. Debt service funds for all assessment districts were eliminated since the City is not obligated for this debt in any way. Amounts for the fiscal year ended June 30, 2003, have been adjusted to eliminate all net assets related to assessment district debt service funds.

Note 3: Sales tax includes supplemental amounts from the Sales Tax Compensation Fund

Note 4: Motor vehicle in lieu tax includes supplemental amounts paid for VLF/Property Tax

Source: City of Cathedral City, Government-Wide Financial Statements

Fund Balances of Governmental Funds**Last Ten Fiscal Years** (In thousands)

(Modified accrual basis of accounting)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund:										
Reserved	\$ 3,701	3,701	3,701	3,701	3,701	3,701	3,701	3,701	6,836	307
Unreserved	1,690	4,338	8,779	10,478	11,754	12,525	13,159	15,692	12,055	20,904
Total general fund	<u>\$ 5,391</u>	<u>8,039</u>	<u>12,480</u>	<u>14,179</u>	<u>15,455</u>	<u>16,226</u>	<u>16,860</u>	<u>19,393</u>	<u>18,891</u>	<u>21,211</u>
All other governmental funds:										
Reserved	\$ 19,926	18,979	21,273	22,054	24,524	35,759	38,107	41,284	52,607	73,666
Unreserved, reported in:										
Special revenue funds	8,523	7,306	9,321	11,960	10,612	12,073	11,417	11,751	12,716	13,955
Capital projects funds	9,776	6,531	20,444	22,173	16,906	46,344	43,984	49,167	64,282	142,992
Debt service funds	-	-	-	-	-	-	-	-	306	-
Total all other governmental funds	<u>\$ 38,225</u>	<u>32,816</u>	<u>51,038</u>	<u>56,187</u>	<u>52,042</u>	<u>94,176</u>	<u>93,508</u>	<u>102,202</u>	<u>129,911</u>	<u>230,613</u>

Notes to Schedule:

Note 1: Amounts include General, Special Revenue, Debt Service and Capital Projects funds.

Note 2: The reporting format was changed with the fiscal year ended June 20, 2004. Debt service funds for all assessment districts were eliminated since the City is not obligated for this debt in any manner. Amounts for fiscal years ended June 30, 1998 through June 30, 2003, have been adjusted to eliminate all assessment district debt service funds.

Note 3: The decrease in total fund balances of \$2,761 from 1998 to 1999 consists of the following: (1) prior period adjustment - (\$24); and (2) current year decrease in fund balances - \$2,737.

Note 4: The increase in total fund balances of \$22,663 from 1999 to 2000 consists of the following: (1) 1999 audit report footing error - \$1,795; and (2) current year increase in fund balances - \$20,868.

Note 5: The increase in total fund balances of \$6,848 from 2000 to 2001 consists of the following: (1) elimination of agency fund balance - (\$2,179); (2) prior period adjustment - \$1,260; and (3) current year increase in fund balances - \$7,767.

Note 6: The decrease in total fund balances of \$2,869 from 2001 to 2002 consists of the following: (1) prior period adjustment - (\$949); and (2) current year decrease in net fund balances - \$1,920.

Note 7: The increase in total fund balances of \$42,905 from 2002 to 2003 consists of the following: (1) prior period adjustment - (\$3,744); and (2) current year increase in fund balances - \$46,649.

Note 8: The decrease in total fund balances of \$34 from 2003 to 2004 consists of the following: (1) prior period adjustment - \$61; and (2) current year decrease in fund balances - \$95.

Source: City of Cathedral City, Fund Financial Statements

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years (In thousands)

(Modified accrual basis of accounting)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 20,725	26,345	27,326	27,299	30,372	33,876	30,159	34,678	41,894	44,393
Intergovernmental	6,539	4,102	3,020	5,396	2,382	3,948	3,941	4,200	5,845	11,818
Licenses and permits	1,050	1,579	2,011	2,150	2,147	2,676	2,564	2,524	2,648	1,370
Fines and forfeitures	67	100	197	179	197	225	289	11	15	409
Charges for services	4,959	2,211	2,279	3,858	4,099	2,896	3,499	4,243	4,733	5,392
Interest	1,232	1,947	2,491	3,100	2,311	1,917	1,444	2,612	3,846	6,725
Contributions from property owners	-	-	-	9,254	-	-	-	-	33,244	2,394
Special assessments	-	-	-	(1,473)	-	-	-	-	-	-
Gain on sale of land held for resale	-	-	-	-	-	-	-	-	-	90
Miscellaneous	756	1,046	865	2,239	4,077	1,206	1,083	1,922	4,172	2,448
Total revenues	\$ 35,328	37,330	38,189	52,002	45,585	46,744	42,979	50,190	96,397	75,039
Expenditures										
General government	\$ 7,132	7,746	7,300	7,866	8,402	8,896	8,339	7,836	7,517	10,976
Community development	-	-	-	-	-	-	801	7,130	3,217	4,329
Public safety	8,734	9,011	9,112	10,952	11,277	11,813	12,845	15,434	17,006	19,166
Public works	1,548	779	1,037	1,184	2,433	2,304	2,047	2,126	4,351	2,857
Payments under pass-through agreements	5,306	5,338	5,639	6,643	7,426	9,006	3,985	6,106	5,983	4,985
Capital outlay	22,817	12,540	4,752	17,370	11,152	10,238	3,682	16,142	17,573	31,343
Loss on sale of land held for resale	-	-	-	-	-	-	-	-	-	86
Debt service:										
Principal	2,877	2,643	3,051	2,802	3,718	4,026	5,904	4,138	17,690	4,907
Interest	3,532	3,749	3,589	4,203	4,890	3,726	6,233	5,604	6,116	6,377
Other charges	1	-	796	69	-	1,615	-	1,090	650	2,366
Total expenditures	\$ 51,947	41,806	35,276	51,089	49,298	51,624	43,836	65,606	80,103	87,392
Excess (deficiency) of revenues over (under) expenditures	(16,619)	(4,476)	2,913	913	(3,713)	(4,880)	(857)	(15,416)	16,294	(12,353)

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years (In thousands) (continued)

(Modified accrual basis of accounting)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Other financing sources (uses)										
Transfers in	\$ 20,635	9,444	8,320	4,030	5,644	16,401	16,946	37,616	30,566	142,933
Transfers out	(20,279)	(7,705)	(6,491)	(3,172)	(4,812)	(16,286)	(16,175)	(27,420)	(32,825)	(145,683)
Sale of capital assets	-	-	-	-	-	-	(9)	-	2	2,896
Issuance of debt	-	-	-	5,996	961	51,983	-	40,672	13,000	115,000
Refunding of debt	-	-	16,126	-	-	9,407	-	(27,308)	-	-
Discount on bonds issued	-	-	-	-	-	(569)	-	-	-	-
Bond premium	-	-	-	-	-	-	-	-	-	229
Payments to refunded bond escrow agent	-	-	-	-	-	(3,898)	-	-	-	-
Payment of bonds refunded	-	-	-	-	-	(5,509)	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-	3,083	170	-
Total other financing sources (uses)	\$ 356	1,739	17,955	6,854	1,793	51,529	762	26,643	10,913	115,375
Net change in fund balances	<u>\$ (16,263)</u>	<u>(2,737)</u>	<u>20,868</u>	<u>7,767</u>	<u>(1,920)</u>	<u>46,649</u>	<u>(95)</u>	<u>11,227</u>	<u>27,207</u>	<u>103,022</u>
Debt service as a percentage of noncapital expenditures	22.0%	21.8%	24.4%	21.0%	22.6%	22.6%	30.2%	21.9%	39.1%	24.4%

Notes to Schedule:

Note 1: Amounts include General, Special Revenue, Debt Service and Capital Projects funds.

Note 2: The reporting format was changed with the fiscal year ended June 20, 2004. Debt service funds for all assessment districts were eliminated since the City is not obligated for this debt in any manner. Amounts for fiscal years ended June 30, 1998 through June 30, 2003, have been adjusted to eliminate all assessment district debt service funds activity.

Note 3: Prior to the fiscal year ended June 30, 2006, capital contributions were reported as "transfers in."

Source: City of Cathedral City, Fund Financial Statements

Governmental Activities Tax Revenues by Source**Last Ten Fiscal Years** (In thousands)

(Modified accrual basis of accounting)

Fiscal Year	Property and RDA Tax Increment	Sales Tax (Note 1)	Motor Vehicle In Lieu Tax (Note 2)	Transient Occupancy Tax	Other Taxes	Total
1998	\$ 12,825	4,873	1,514	1,115	398	20,725
1999	12,655	5,990	1,611	1,380	4,709	26,345
2000	13,586	7,293	1,782	1,363	3,302	27,326
2001	15,839	7,545	2,322	1,391	202	27,299
2002	18,296	7,817	2,474	1,464	321	30,372
2003	20,795	8,652	2,595	1,774	60	33,876
2004	16,684	9,331	2,160	1,681	303	30,159
2005	19,373	10,165	2,902	1,703	535	34,678
2006	25,109	10,177	4,434	1,851	323	41,894
2007	28,145	10,008	3,967	1,961	312	44,393
Change 1998 - 2007	95.8%	108.8%	192.9%	66.0%	-18.8%	102.1%

Notes to Schedule:

Note 1: Sales tax includes supplemental amounts from the Sales Tax Compensation Fund beginning with the fiscal year ended June 30, 2005.

Note 2: Motor vehicle in lieu tax includes supplemental amounts paid for VLF/Property Tax swap beginning with the fiscal year ended June 30, 2005.

Source: City of Cathedral City Finance Department

Assessed Value and Actual Value of Taxable Property Last Ten Fiscal Years (In thousands)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	All Other Property	Total Net Taxable Assessed Value (Note 2)	Total Direct Tax Rate
1998	\$ 930,488	219,854	40,573	447,926	1,638,841	0.78140
1999	869,681	205,678	42,503	506,295	1,624,157	0.77733
2000	958,315	219,946	43,415	452,920	1,674,596	0.82314
2001	1,077,946	230,220	47,607	526,657	1,882,430	0.80817
2002	1,264,992	239,415	55,720	558,287	2,118,414	0.83226
2003	1,414,481	264,021	59,374	594,333	2,332,209	0.85126
2004	1,615,162	275,810	60,754	603,834	2,555,560	0.84884
2005	1,880,131	290,443	63,080	630,749	2,864,403	0.86395
2006	2,166,837	306,835	70,929	700,897	3,245,498	0.86814
2007	2,591,909	339,291	73,875	843,492	3,848,567	0.89159

Notes to Schedule:

Note 1: In 1978, the voters of the State of California passed Proposition 13, which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year the assessed value of property may be increased by an “inflation factor” (limited to a maximum increase of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time that it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Note 2: The “total net taxable assessed value” is net of tax-exempt property. In addition, homeowners exemptions are not included in the above totals.

Source: HdL Coren & Cone (Riverside County Assessor 1997/98 - 2006/07 Combined Tax Rolls)

Property Tax Rates – Direct and Overlapping Governments Last Ten Fiscal Years

(Rate per \$100 of assessed value)

Fiscal Year	Direct Rates			Overlapping Rates			
	City Share of 1% Levy (Note 1)	Redevelopment Agency Incremental Rate	Total Direct Rate (Note 2)	Coachella Valley Water District	CVWD Improvement District 53	Desert Community College	Palm Springs Unified B&I 1992-A
1998	\$ 0.09633	1.02080	0.78140	0.02080	0.00610	-	0.05110
1999	0.09633	1.02080	0.77733	0.02080	0.00590	-	0.05620
2000	0.09633	1.02080	0.82314	0.02080	0.00540	-	0.06050
2001	0.09633	1.02080	0.80817	0.02080	0.00190	-	0.05609
2002	0.09633	1.02080	0.83226	0.02080	0.00170	-	0.06192
2003	0.09633	1.02080	0.85126	0.02080	0.00170	-	0.06002
2004	0.09633	1.00000	0.84884	0.02080	0.00060	-	0.06052
2005	0.09633	1.00000	0.86395	0.02080	0.00020	0.01994	0.05715
2006	0.09633	1.00000	0.86814	0.02080	0.00020	0.01995	0.05012
2007	0.08421	1.00000	0.89159	0.02080	-	0.01995	0.05912

Notes to Schedule:

Note 1: In 1978, California voters passed Proposition 13, which set the property tax rate at a 1.00% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides within. In addition to the 1% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Note 2: The Government Finance Officers Association's definition of total direct rate is: "The weighted average of all individual rates applied by the government preparing the statistical section." The total direct rate of the City of Cathedral City is calculated based on this definition, therefore, the columns will not sum across.

Source: HdL Coren & Cone (Riverside County Assessor, 1997/98 - 2006/07 Tax Rate Tables)

Principal Property Taxpayers Current Year and Nine Years Ago

(In thousands)

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
MHC Date Palm	\$ 28,592	1	0.72%			
Welk Park North	26,157	2	0.66%	32,006	1	1.92%
Cathedral Creekside Apartments	23,056	3	0.58%			
WHP Rio Vista	21,668	4	0.55%			
Rio Vista Nevada	17,488	5	0.44%			
Desert Vistas	17,213	6	0.44%			
Cathedral Group	15,452	7	0.39%			
MPT Investors 1	13,450	8	0.34%			
31033 Date Palm LLC	12,796	9	0.32%			
Goble Investment	12,262	10	0.31%			
WHUB Real Estate Limited Partnership				17,066	2	1.03%
Berystede Investment Corporation				14,912	3	0.90%
Wal Mart Stores, Inc.				12,659	4	0.76%
Desert Princess CC & Resort				10,255	5	0.62%
Dana B. Horn				10,244	6	0.62%
Pace Membership Warehouse, Inc.				10,226	7	0.61%
Eastbourne Investment Limited				10,190	8	0.61%
South Central Pool Supplies, Inc.				9,264	9	0.56%
Palm Springs Motors, Inc.				8,413	10	0.51%
Totals	\$ 188,134		4.75%	135,235		8.14%

Source: HdL Coren & Cone (Riverside County Assessor 2006/07 and 1997/98 Combined Tax Rolls)

Property Tax Levies and Collections Last Ten Fiscal Years

(In thousands)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year (Note 1)	Collected within the Fiscal Year of the Levy		Previous Years Collections (Notes 2 and 3)	Total Collections to Date	
		Amount (Note 2)	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 9,113	8,779	96.33%	1	8,780	96.35%
1999	8,939	8,528	95.40%	-	8,528	95.40%
2000	9,298	9,017	96.98%	1	9,018	96.99%
2001	NA	10,529	NA	-	10,529	NA
2002	13,517	12,338	91.28%	2	12,340	91.29%
2003	13,577	13,905	102.42%	3	13,908	102.44%
2004	15,056	15,148	100.61%	5	15,153	100.64%
2005	17,111	17,009	99.40%	5	17,014	99.43%
2006	19,670	19,608	99.68%	9	19,617	99.73%
2007	23,790	23,575	99.10%	3	23,578	99.11%

Notes to Schedule:

Note 1: Information as to the total tax levy for the fiscal year is not available from the Riverside County Auditor-Controller. The total tax levy has been estimated using the Statements of Original Charge and Tax Increment Summaries from the Riverside County Auditor-Controller. The total tax levy for 2001 is not available (NA) because the Riverside County Auditor-Controller cannot locate the Statement of Original Charge for that year.

Note 2: Collections for 2007 are for amounts received as of November 25, 2007.

Note 3: The table above shows the total amount of delinquent taxes collected in each fiscal year. The Riverside County Auditor-Controller does not provide information regarding the levy year to which delinquent tax collections pertain.

Note 4: The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies. Fixed charge collections related to assessment district debt, which the City is not obligated for, are not included in this schedule.

Source: City of Cathedral City
Riverside County Auditor-Controller

Top 25 Sales Tax Producers

Current Year and Nine Years Ago

(Listed alphabetically)

2007		1998	
Taxpayer	Business	Taxpayer	Business
Acura Mazda of the Desert	New Motor Vehicle Dealers	Acura Mazda of the Desert	New Motor Vehicle Dealers
		Albertsons	Grocery Stores Liquor
		Albertsons	Grocery Stores Liquor
Arco AM PM Mini Mart	Service Stations	Arco AM PM Mini Mart	Service Stations
Arco AM PM Mini Mart	Service Stations	Arco AM PM Mini Mart	Service Stations
C&M Building Materials	Lumber/Building Materials	C&M Building Materials	Lumber/Building Materials
Cathedral City Fuels Co.	Service Stations		
		Champion Mitsubishi	New Motor Vehicle Dealers
		Circle K	Grocery Stores Beer/Wine
Crystal Chrysler Center	New Motor Vehicle Dealers	Crystal Chrysler Center	New Motor Vehicle Dealers
Desert Lexus	New Motor Vehicle Dealers	Desert Lexus	New Motor Vehicle Dealers
		Dunn Edwards Paint	Paint/Glass/Wallpaper
		Familian Pipe & Supply	Plumbing/Electrical Supplies
Ferguson Enterprises	Plumbing/Electrical Supplies		
		Ford Credit Titling Trust	Auto Lease
Honda of the Desert	New Motor Vehicle Dealers	Honda of the Desert	New Motor Vehicle Dealers
		JCS Mobil	Service Stations
Jessup Auto Plaza	New Motor Vehicle Dealers		
		Levitiz Furniture	Home Furnishings
Market Place Shell	Service Stations		
O'Brien Chevrolet	New Motor Vehicle Dealers		
O'Brien Hyundai	New Motor Vehicle Dealers		
Palm Springs Ford Lincoln Mercury	New Motor Vehicle Dealers	Palm Springs Ford Lincoln Mercury	New Motor Vehicle Dealers
Palm Springs Nissan	New Motor Vehicle Dealers		
Palm Springs Oil	Service Stations	Palm Springs Oil	Service Stations
Palm Springs Volvo & Subaru	New Motor Vehicle Dealers		

(continued)

Top 25 Sales Tax Producers Current Year and Nine Years Ago

(Listed alphabetically) (continued)

2007		1998	
Taxpayer	Business	Taxpayer	Business
Philip Liner & Associates	Home Furnishings	Pep Boys	Automotive Supply Stores
Sams Club	Discount Dept Stores	Sams Club	Discount Dept Stores
Spreen Saturn	New Motor Vehicle Dealers	Spreen Saturn	New Motor Vehicle Dealers
Target	Discount Dept Stores	Target	Discount Dept Stores
Toyota Motor Credit Corporation	Auto Lease		
Toyota of the Desert	New Motor Vehicle Dealers	Toyota of the Desert	New Motor Vehicle Dealers
Ultramar	Service Stations	Ultramar	Service Stations
		Wal Mart	Discount Dept Stores
Walgreens	Drug Stores		
Percentage of total paid by top 25 accounts - 63.45%		Percentage of total paid by top 25 accounts - 58.76%	

Notes to Schedule:

Note 1: Information is for the periods April 2006 through March 2007 and April 1997 through March 1998, respectively.

Source: HdL Coren & Cone

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years (In thousands, except per capita)

Fiscal Year	Governmental Activities							Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Participation	Lease Bonds	Tax Allocation Bonds	Revenue Bonds Payable	Limited Obligation Bonds	Capital Leases	Long-Term Loans/Notes Payable			
1998	\$ 2,795	5,920	32,695	20,595	-	303	9,439	71,747	11.82%	1,844
1999	2,615	5,920	31,860	19,280	-	403	9,548	69,626	10.90%	1,734
2000	2,430	5,740	47,116	17,635	-	259	9,624	82,804	11.97%	1,942
2001	2,235	5,675	46,206	16,290	-	176	13,028	83,610	11.31%	1,896
2002	2,030	5,605	45,196	14,890	-	87	14,724	82,532	10.42%	1,807
2003	1,815	5,530	101,791	13,425	-	622	9,870	133,053	15.49%	2,779
2004	1,590	5,450	99,701	11,835	-	310	8,281	127,167	13.88%	2,575
2005	1,355	5,365	111,901	-	15,525	3,070	8,296	145,512	14.90%	2,860
2006	1,110	5,275	112,426	-	12,760	1,852	8,138	141,561	13.90%	2,752
2007	855	5,175	225,146	-	11,220	1,500	8,456	252,352	23.69%	4,842

Notes to Schedule:

Note 1: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Note 2: Beginning with the fiscal year ended June 30, 2004, debt service funds for all assessment districts were eliminated since the City is not obligated for this debt in any way. All amounts prior to the fiscal year ended June 30, 2004, have been adjusted to eliminate all debt related to assessment districts.

Note 3: See the *Demographic and Economic Statistics* table for personal income and population data. These ratios are calculated using personal income and population data as of the beginning of the calendar year.

Source: City of Cathedral City Finance Department
Demographic and Economic Statistics table

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years (In thousands, except per capita)

Fiscal Year	General Bonded Debt Outstanding						Percentage of Assessed Taxable Value of Property	Per Capita
	Certificates of Participation	Lease Bonds	Tax Allocation Bonds	Revenue Bonds	Limited Obligation Bonds	Total		
1998	\$ 2,795	5,920	32,695	20,595	-	62,005	3.78%	1,594
1999	2,615	5,920	31,860	19,280	-	59,675	3.67%	1,486
2000	2,430	5,740	47,116	17,635	-	72,921	4.35%	1,710
2001	2,235	5,675	46,206	16,290	-	70,406	3.74%	1,597
2002	2,030	5,605	45,196	14,890	-	67,721	3.20%	1,483
2003	1,815	5,530	101,791	13,425	-	122,561	5.26%	2,560
2004	1,590	5,450	99,701	11,835	-	118,576	4.64%	2,401
2005	1,355	5,365	111,901	-	15,525	134,146	4.68%	2,636
2006	1,110	5,275	112,426	-	12,760	131,571	4.05%	2,558
2007	855	5,175	225,146	-	11,220	242,396	6.30%	4,651

Notes to Schedule:

- Note 1: General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none). Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- Note 2: Beginning with the fiscal year ended June 30, 2004, debt service funds for all assessment districts were eliminated since the City is not obligated for this debt in any way. All amounts prior to the fiscal year ended June 30, 2004, have been adjusted to eliminate all debt related to assessment districts.
- Note 3: See the *Assessed Value and Actual Value of Taxable Property* table for property value data.
- Note 4: See the *Demographic and Economic Statistics* table for population data. The ratio is calculated using population data as of the beginning of the calendar year.

Source: City of Cathedral City Finance Department
Assessed Value and Actual Value of Taxable Property table
Demographic and Economic Statistics table

Direct and Overlapping Governmental Activities Debt As of June 30, 2007

(In thousands)

2007-08 Assessed Valuation	\$ 3,845,235		
Less: Redevelopment Incremental Valuation	(3,372,791)		
Adjusted Assessed Valuation	<u>\$ 472,444</u>		
	Total Debt	Percentage	City's Share
	06/30/07	Applicable ⁽²⁾	of Debt
			06/30/07
Overlapping Tax and Assessment Debt ⁽¹⁾ :			
Desert Community College District	\$ 63,007	1.558%	981
Palm Springs Unified School District	201,015	3.627%	7,291
City of Cathedral City Community Facilities District No. 2000-01	12,155	100.000%	12,155
City of Cathedral City 1915 Act Bonds	<u>54,431</u>	100.000%	<u>54,431</u>
Total overlapping tax and assessment debt	<u>330,608</u>		<u>74,858</u>
Direct and Overlapping General Fund Debt:			
Riverside County General Fund Debt	643,021	0.314%	2,019
Riverside County Pension Obligations	392,890	0.314%	1,234
Riverside County Board of Education Certificates of Participation	10,275	0.314%	32
City of Cathedral City General Fund Debt	6,030	100.000%	6,030
Coachella Valley County Water District, I.D. No. 71			
Certificates of Participation	<u>7,485</u>	1.482%	<u>111</u>
Total gross direct and overlapping general fund debt	<u>1,059,701</u>		<u>9,426</u>
Less: Riverside self-supporting obligations			<u>(58)</u>
Total net direct direct and overlapping general fund debt	<u>1,059,701</u>		<u>9,368</u>
Gross combined total debt			<u>84,284 ⁽³⁾</u>
Net combined total debt			<u>84,226 ⁽³⁾</u>

(continued)

Direct and Overlapping Governmental Activities Debt As of June 30, 2007

(In thousands) (continued)

Ratios to 2006-07 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.95%
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Ratios to Adjusted Assessed Valuation:

Combined direct debt	1.28%
Gross combined total debt	17.84%
Net combined total debt	17.83%

State School Building Aid Repayable as of 6/30/07:	\$ -
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- (1) Includes all bonded debt which requires a tax levy or assessment charge: e.g., general obligation bonds, Mello-Roos Act and 1915 Act Bonds, benefit assessments, lease tax obligations and parcel tax obligations.
- (2) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Legal Debt Margin Information

Last Ten Fiscal Years

(In thousands)

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
1998	\$ 245,826	-	245,826	0.00%
1999	243,624	-	243,624	0.00%
2000	251,189	-	251,189	0.00%
2001	282,365	-	282,365	0.00%
2002	317,762	-	317,762	0.00%
2003	349,831	-	349,831	0.00%
2004	383,334	-	383,334	0.00%
2005	429,660	-	429,660	0.00%
2006	486,825	-	486,825	0.00%
2007	577,285	-	577,285	0.00%

Legal Debt Margin Calculation for Fiscal Year 2007:

Assessed value	\$ 3,848,567
Debt limit (15% of total assessed value)	\$ 577,285
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	\$ 577,285

Notes to Schedule:

Note 1: Section 43605 of the Government Code of the State of California limits the amount of indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the City.

Source: City of Cathedral City Finance Department
HdL Coren & Cone (Riverside County Assessor 2006/07 Combined Tax Rolls)

Pledged-Revenue Coverage Last Ten Fiscal Years

(In thousands)

Fiscal Year	Tax Allocation Bonds						Lease Revenue Bonds					
	Tax Increment Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service			Lease Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
1998	\$ 9,562	5,468	4,094	805	1,748	1.60	307	-	307	-	383	0.80
1999	9,408	5,553	3,855	835	1,715	1.51	475	4	471	-	458	1.03
2000	10,016	5,843	4,173	870	1,682	1.64	480	5	475	180	452	0.75
2001	11,834	6,885	4,949	910	2,167	1.61	350	3	347	65	443	0.68
2002	13,686	7,709	5,977	1,010	2,393	1.76	581	3	578	70	439	1.14
2003	15,643	9,289	6,354	1,055	2,219	1.94	448	3	445	75	434	0.87
2004	12,232	3,881	8,351	2,090	5,342	1.12	449	3	446	80	428	0.88
2005	14,069	5,193	8,876	2,175	4,456	1.34	441	3	438	85	422	0.86
2006	18,330	5,228	13,102	2,060	5,033	1.85	451	4	447	90	415	0.89
2007	20,970	5,328	15,642	2,280	5,360	2.05	452	3	449	100	409	0.88

Notes to Schedule:

Note 1: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Note 2: Lease revenues are payments made by Big League Dreams Sports, L.L.C. to the City of Cathedral City.

Source: City of Cathedral City Finance Department

Demographic and Economic Statistics

Last Ten Years

Year	Population ^{1, 2}	Personal Income	Per Capita Personal Income ^{3, 4}	Unemployment Rate ⁵
1998	38,907	\$ 607,027,014	\$ 15,602	5.70%
1999	40,166	638,719,732	15,902	4.70%
2000	42,647	691,521,105	16,215	5.30%
2001	44,099	739,540,230	16,770	5.10%
2002	45,679	792,210,897	17,343	6.20%
2003	47,885	858,865,360	17,936	6.70%
2004	49,389	916,165,950	18,550	6.00%
2005	50,885	976,534,035	19,191	5.30%
2006	51,435	1,018,670,175	19,805	5.00%
2007	52,115	1,065,178,485	20,439	5.60%

Notes to Schedule:

Note 1: Per capita personal income for 1998, 1999, 2001 through 2004, 2006 and 2007 was estimated using amounts obtained from the 1990 and 2000 U.S. Census figures and ESRI forecasts for 2005 and 2010.

Note 2: Per capita personal income and population data are as of the beginning of the calendar year; unemployment rates are as of June for each year.

Note 3: Personal income was estimated using the population and per capital personal income data.

Source: ¹ State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties and the State, 2001-2007, with 2000 Benchmark*. Sacramento, California, May 2007.

² State of California, Department of Finance, *E-4 Historical Population Estimates for City, County and the State, 1991-2000, with 1990 and 2000 Census Counts*. Sacramento, California, August 2007.

³ U.S. Bureau of the Census, 1990 and 2000 Census of Population and Housing.

⁴ ESRI (forecasts for 2005 and 2010).

⁵ U.S. Department of Labor, Bureau of Labor Statistics (Local Area Unemployment Statistics).

Principal Employers Current Year and Nine Years Ago

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Doral Desert Princess Resort	400	1	1.61%	NA	NA	NA
Target	370	2	1.49%	NA	NA	NA
Addus Healthcare	310	3	1.24%	NA	NA	NA
Cathedral City High School	210	4	0.84%	NA	NA	NA
Palm Springs Lincoln-Mercury	201	5	0.81%	NA	NA	NA
Acura of the Desert	200	6	0.80%	NA	NA	NA
City of Cathedral City	200	7	0.80%	NA	NA	NA
Honda of the Desert	200	8	0.80%	NA	NA	NA
Mazda of the Desert	200	9	0.80%	NA	NA	NA
Toyota of the Desert	200	10	0.80%	NA	NA	NA
Totals	2,491		9.99%	-		0.00%
Total employees	24,900			17,589		

Notes to Schedule:

Note 1: Principal employer data from nine years ago is not available (NA).

Source: State of California, Employment Development Department (Labor Market Info)
U.S. Department of Labor, Bureau of Labor Statistics
InfoUSA.com

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government:										
City council	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
City manager	3.25	3.00	2.50	2.50	3.50	3.50	4.50	4.50	6.00	6.00
City clerk	1.50	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00
Economic development	0.42	0.50	1.00	1.00	2.00	2.00	2.00	2.00	1.00	1.00
Finance	9.50	9.50	9.50	9.00	8.00	5.00	8.00	9.50	9.00	8.50
Housing	2.48	3.33	4.33	5.00	6.50	5.50	5.00	6.00	5.00	5.00
Human resources	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.50	3.50	3.50
Redevelopment	2.60	4.17	4.67	5.00	6.00	4.00	4.00	5.00	5.00	4.00
Management information systems	-	2.00	3.00	4.00	2.00	3.00	3.00	1.00	2.00	3.00
Public works:										
Public works	13.00	12.00	13.50	13.50	12.00	14.00	15.00	14.00	15.00	15.00
Public maintenance	6.00	11.50	10.50	10.50	10.00	8.00	8.00	10.00	12.00	11.50
Public safety:										
Police:										
Officers	46.00	46.00	44.00	48.00	45.00	46.00	45.00	47.00	50.00	54.00
Civilians	30.00	31.00	30.50	36.00	32.00	26.50	26.50	25.00	26.00	33.50
Fire:										
Firefighters and officers	44.00	44.00	44.00	44.00	36.00	33.00	36.00	37.00	36.00	42.00
Civilians	7.00	7.00	7.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Community development:										
Planning	1.00	2.00	2.00	6.00	6.00	5.00	4.00	5.00	5.00	5.00
Building	3.00	4.00	4.50	6.00	7.00	8.00	5.00	6.00	7.00	8.00
Engineering	6.00	7.00	8.00	8.00	6.00	7.00	7.00	7.00	7.00	7.00
Recreation	6.50	6.00	6.00	6.00	6.00	6.00	-	-	-	-
Solid waste	-	-	-	1.00	-	-	-	-	-	-
Total	188.25	200.00	202.50	223.50	206.00	194.50	191.00	197.50	205.50	222.00

Source: City of Cathedral City

Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public works:										
Streets maintained (miles)	NA	NA	NA	NA	NA	NA	NA	NA	NA	122
Public safety:										
Police:										
Physical arrests	NA	NA	1,117	1,162	2,193	2,017	1,800	1,727	1,729	1,867
Parking violations	NA	NA	NA	NA	NA	NA	865	848	1,039	1,060
Traffic violations	NA	NA	4,906	5,189	7,498	8,731	7,320	10,500	8,868	5,838
Fire (note 2):										
Number of 9-1-1 calls answered	2,622	2,960	3,491	4,177	4,209	4,405	4,370	4,927	4,546	NA
Inspections	NA	NA	NA	NA	9,391	9,023	3,896	3,587	193	NA
Code complaints	NA	NA	NA	NA	1,467	2,762	2,318	6,824	5,483	NA
Property/vehicle abatements	NA	NA	NA	NA	256	268	207	370	180	NA
Graffiti	NA	NA	NA	NA	563	614	1,264	1,456	1,618	NA
Notices/citations issued	NA	NA	NA	NA	1,496	2,066	1,221	2,284	1,536	NA
Community development:										
Building permits issued	1,366	1,611	1,931	2,056	2,030	2,287	2,065	2,204	2,241	1,466

Notes to Schedule:

Note 1: Information for the year is not available (NA).

Note 2: Fire statistics are for the calendar year end, not fiscal year end.

Source: City of Cathedral City (various departments)

Capital Asset Statistics by Function

Last Ten Fiscal Years

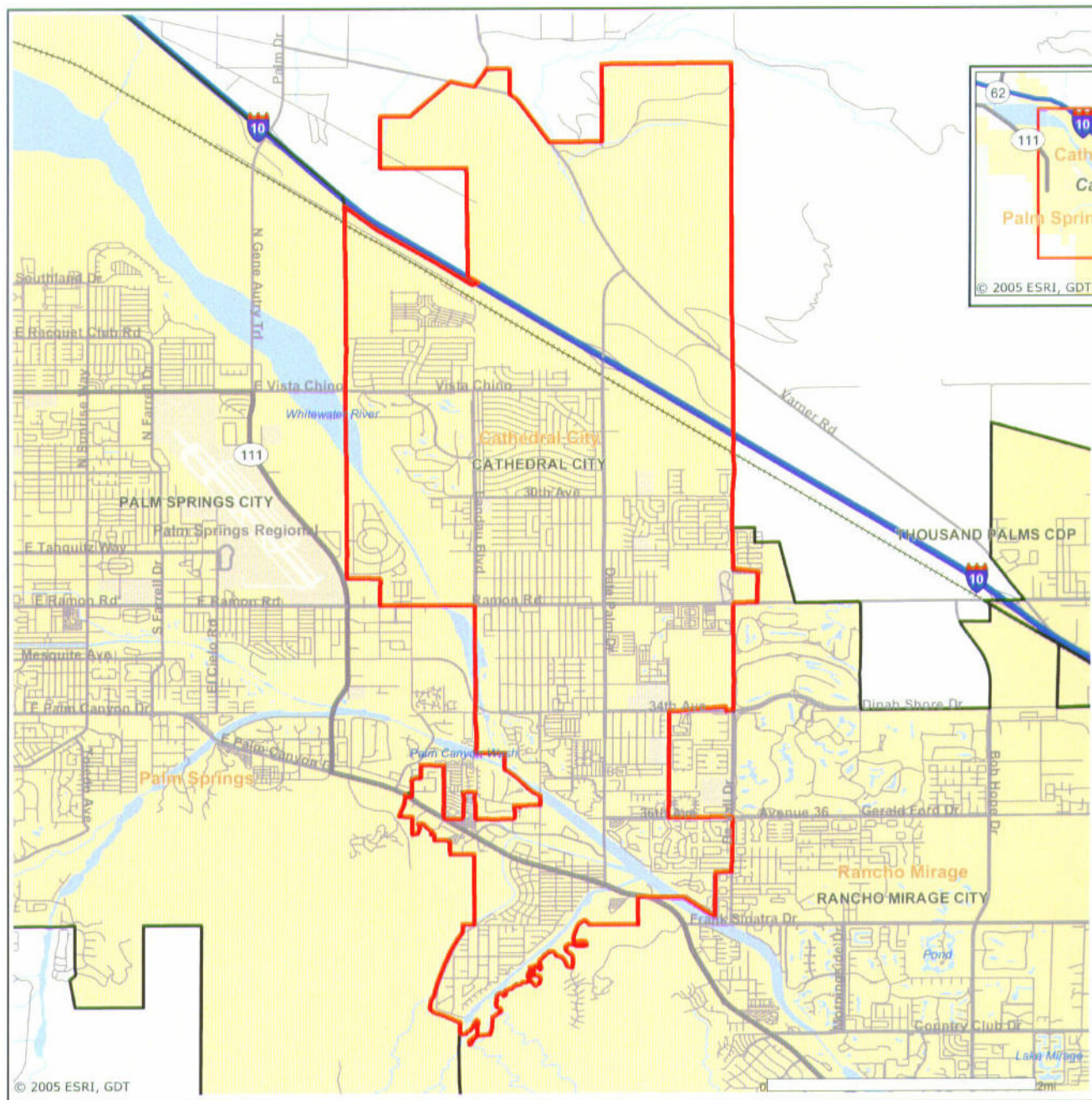
Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public works:										
Streets (miles)	NA	NA	NA	NA	NA	NA	NA	NA	NA	122
Streetlights	978	991	1,008	1,029	1,072	1,107	1,119	1,136	1,144	1,161
Traffic signs	4,283	4,283	4,283	4,283	4,283	4,283	4,283	4,283	4,283	4,283
Traffic signals	34	36	40	40	43	43	43	46	46	46
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	NA	34	38	48	52	58	61	65	78	83
Fire stations	3	3	3	3	3	3	3	3	3	3
Community development:										
Parks	7	7	7	7	7	7	7	7	7	7
Parks acreage	24	24	24	24	24	24	24	24	24	24
Community centers	1	1	1	1	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1

Notes to Schedule:

Note 1: No capital asset indicators are available for the general government function.

Note 2: Information for the year is not available (NA).

Source: City of Cathedral City (various departments)



CITY OF CATHEDRAL CITY

CALIFORNIA



